RATINGS:

Series A Note Participations	Series B-1 Note Participations	Series B-2 Note Participations
Moody's: "MIG 1"	S&P: "SP-1+"	S&P: "SP-1+"
S&P: "SP-1+"		
Fitch: "F1+"		

(See "RATINGS" herein.)

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Participants, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Notes represented by the Note Participations is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. The amount treated as interest on the Notes represented by the Note Participations and excluded from gross income may depend on the taxpayer's election under Internal Revenue Service Notice 94-84. In the further opinion of Bond Counsel, interest on the Notes represented by the Note Participations is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Note Participations. See "TAX MATTERS" herein.

$115,210,000
COUNTY OF SAN DIEGO AND SAN DIEGO COUNTY SCHOOL DISTRICTS
TAX AND REVENUE ANTICIPATION NOTE PROGRAM
NOTE PARTICIPATIONS, SERIES 2013

Evidencing and Representing Proportionate and Undivided Interests of the Owners Thereof in 2013-14 Tax and Revenue Anticipation Notes of the County of San Diego, California and Certain School Districts within San Diego County

$60,000,000	$13,050,000	$42,160,000
Series A	Series B-1	Series B-2
Interest Rate: 2.00%	Interest Rate: 2.00%	Interest Rate: 2.00%
Yield: 0.17%	Yield: 0.18%	Yield: 0.22%
Due: June 30, 2014	Due: January 31, 2014	Due: April 30, 2014
CUSIP†: 797381BK5	CUSIP†: 797381BL3	CUSIP†: 797381BM1

Dated: July 1, 2013

Each Series of the Note Participations (as hereinafter defined) will be delivered as fully registered certificates, without coupons, and when delivered will be registered in the name of The Depository Trust Company, New York, New York ("DTC"), or its nominee. DTC will act as securities depository for the Note Participations. Individual purchases of beneficial interests in the Note Participations will be made in book-entry form only and in the principal amount of $5,000 or any integral multiple thereof. Purchasers of such beneficial interests will not receive physical delivery of the Note Participations. Principal of and interest on the Notes represented by the Note Participations will be payable on the applicable maturity date set forth above by the Trustee to DTC. DTC will in turn remit such principal and interest to the DTC Participants (as hereinafter defined), who will in turn remit such principal and interest to the Beneficial Owners (as hereinafter defined) of the Note Participations. See "DESCRIPTION OF THE NOTE PARTICIPATIONS – Book-Entry System" herein.

The Note Participations will not be subject to prepayment prior to maturity.

The Note Participations of each Series are being issued pursuant to the terms of three separate Trust Agreements, each dated as of July 1, 2013 (each a "Trust Agreement" and collectively the "Trust Agreements"), the first of which is by and between the County of San Diego (the "County" or the "Series A Participant") and Wilmington Trust, N.A. (the "Trustee") (the "Series A Trust Agreement") with respect to $60,000,000 Series A Note Participations (the "Series A Note Participations"), the second of which is by and among the County, certain of the Districts identified herein under "THE PARTICIPANTS" (the "Series B-1 Participants") and the Trustee (the "Series B-1 Trust Agreement") with respect to $13,050,000 Series B-1 Note Participations (the "Series B-1 Note Participations"), and the third of which is by and among the County, certain of the Districts identified herein under "THE PARTICIPANTS" (the "Series B-2 Participants" and, together with the Series B-1 Participants, the "Series B Participants"; the Series A Participant and the Series B Participants are referred to herein as the "Participants") and the Trustee (the "Series B-2 Trust Agreement" and, together with the Series A Trust Agreement and the Series B-1 Trust Agreement, the "Trust Agreements") with respect to $42,160,000 Series B-2 Note Participations (the "Series B-2 Note Participations" and, together with the Series B-1 Note Participations, the "Series B Note Participations"; the Series A Note Participations and the Series B Note Participations are referred to herein as the "Note Participations"). Each Series of the Note Participations matures on the applicable maturity date set forth above, and evidences and represents a proportionate and undivided interest in certain designated 2013-14 Tax and Revenue Anticipation Notes (individually, a "Note" and collectively, the "Notes") issued by the County on behalf of all Participants, and debt service payments on the Notes to be made by the Participants. The Notes are being issued to provide operating cash for the Participants' working capital expenditures and the investment and reinvestment of funds for the Participants prior to the receipt of anticipated tax payments and other revenues provided for or attributable to Fiscal Year 2013-14. Each Participant has pledged certain Unrestricted Revenues as described herein for the payment of the principal of and interest on its respective Note, provided that no Participant has any obligation to pay the principal of or interest on the Note of any other Participant. The Notes are general obligations of the respective Participants and, to the extent the Notes are not paid from revenues pledged for the payment of the Notes, the Notes shall be paid with interest thereon from any other moneys of the Participants lawfully available therefor.

Payments by a Participant of the principal of and interest on its Note shall fully discharge the obligation of such Participant to the Owners of the Note Participations, notwithstanding nonpayment by one or more other Participants. **The obligation of each Participant is a several and not a joint obligation and is strictly limited to such Participant's repayment obligation under its applicable Note Resolution and Note.**

THE NOTE PARTICIPATIONS ARE LIMITED OBLIGATIONS OF EACH PARTICIPANT PAYABLE SOLELY FROM CERTAIN FUNDS PLEDGED UNDER THE APPLICABLE TRUST AGREEMENT. THE OBLIGATION OF EACH PARTICIPANT TO PAY PRINCIPAL OF AND INTEREST ON THE NOTE PARTICIPATIONS DOES NOT CONSTITUTE A DEBT OF THE PARTICIPANT, THE COUNTY OR THE STATE OF CALIFORNIA, OR ANY POLITICAL SUBDIVISION THEREOF, IN CONTRAVENTION OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.

The Note Participations will be offered in book-entry form when, and if executed and delivered, subject to approval as to their legality by Orrick, Herrington & Sutcliffe LLP, Los Angeles, California, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the Underwriters by their counsel, Hawkins Delafield & Wood LLP, Los Angeles, California. It is anticipated that the Note Participations, in book-entry form, will be available for delivery through the facilities of DTC on or about July 1, 2013

Citigroup **Wells Fargo Securities** **De La Rosa & Co.**

Dated: June 4, 2013

SERIES A NOTE PARTICIPANT

County of San Diego

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SERIES B-1 NOTE PARTICIPANTS AND

Cardiff School District
Encinitas Union School District
La Mesa-Spring Valley School District
National School District

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SERIES B-2 NOTE PARTICIPANTS

Carlsbad Unified School District
Fallbrook Union High School District
Grossmont Union High School District
Ramona Unified School District
San Dieguito Union High School District

COUNTY OF SAN DIEGO
BOARD OF SUPERVISORS

Greg Cox, Chairman	First District
Dianne Jacob, Vice Chair	Second District
Dave Roberts	Third District
Ron Roberts	Fourth District
Bill Horn	Fifth District

******

COUNTY OFFICIALS

Helen N. Robbins-Meyer, *Chief Administrative Officer*
Dan McAllister, *Treasurer – Tax Collector*
Donald F. Steuer, *Chief Operating Officer*
Tracy M. Sandoval, *Auditor & Controller*
Thomas E. Montgomery, *County Counsel*

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SPECIAL SERVICES

Bond Counsel
Orrick, Herrington & Sutcliffe LLP
Los Angeles, California

Financial Advisor to School District Participants
Government Financial Strategies inc.
Sacramento, California

Trustee
Wilmington Trust, N.A.
Los Angeles, California

No dealer, broker, salesperson or other person has been authorized to give any information or to make any representation other than those contained in this Official Statement in connection with the offers made hereby and, if given or made, such information or representation must not be relied upon as having been authorized by the Participants. This Official Statement does not constitute an offer to sell the Note Participations in any state or other jurisdiction to any person to whom it is unlawful to make such an offer in such state or jurisdiction.

This Official Statement is not to be construed as a contract with the purchasers of the Note Participations. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as a representation of facts.

The information set forth herein has been provided by the Participants and other sources that are believed by the Participants to be reliable. The Underwriters have provided the following sentence for inclusion in this Official Statement: The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibility to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

The information and expression of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create an implication that there has been no change in the affairs of the Participants since the date hereof. This Official Statement is submitted with respect to the sale of the Note Participations referred to herein and may not be reproduced or used, in whole or in part, for any other purpose, unless authorized in writing by the County. All summaries of the Note Participations, the Notes, the Note Resolutions, the Trust Agreements, the Investment Agreement, if any (each as defined herein), and other documents, are made subject to the provisions of such documents respectively and do not purport to be complete statements of any or all of such provisions. Preparation of this Official Statement and its distribution have been duly authorized and approved by the Participants.

This Official Statement is submitted in connection with the execution and delivery of the Note Participations referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE NOTE PARTICIPATIONS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITERS MAY OFFER AND SELL THE NOTE PARTICIPATIONS TO CERTAIN DEALERS AND DEALER BANKS AND BANKS ACTING AS AGENT AT PRICES LOWER THAN THE PUBLIC OFFERING PRICE STATED ON THE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICE MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS.

 CUSIP numbers have been assigned by an independent company not affiliated with the Note Participants and are included solely for the convenience of the registered owners of the applicable Note Participations. Neither the Note Participants nor the Underwriters are responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the applicable Note Participations or as included herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Note Participations as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance and other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Note Participations.

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$115,210,000
COUNTY OF SAN DIEGO AND SAN DIEGO COUNTY SCHOOL DISTRICTS
TAX AND REVENUE ANTICIPATION NOTE PROGRAM
NOTE PARTICIPATIONS, SERIES 2013

Evidencing and Representing Proportionate and Undivided Interests of the Owners Thereof in 2013-14 Tax and Revenue Anticipation Notes of the County of San Diego, California and Certain School Districts within San Diego County

$60,000,000 **Series A**	**$13,050,000** **Series B-1**	**$42,160,000** **Series B-2**

INTRODUCTION

This Introduction is not a summary of this Official Statement. It is only a brief description of and is qualified by a more complete and detailed information contained in the entire Official Statement, including the cover page and appendices hereto, and the documents described herein. References to and summaries of provisions of the Constitution and laws of the State of California and any documents referred to herein do not purport to be complete and such references are qualified in their entirety by reference to the complete provisions.

This Official Statement, including the cover page, table of contents and appendices, sets forth certain information concerning the $115,210,000 aggregate principal amount of the County of San Diego and San Diego County School Districts Tax and Revenue Anticipation Note Program Note Participations, Series 2013 comprised of $60,000,000 Series A Note Participations maturing on June 30, 2014 (the "Series A Note Participations"), $13,050,000 Series B-1 Note Participations maturing on January 31, 2014 (the "Series B-1 Note Participations") and $42,160,000 Series B-2 Note Participations maturing on April 30, 2014 (the "Series B-2 Note Participations" and, together with the Series B-1 Note Participations, the "Series B Note Participations"). The Series A Note Participations and the Series B Note Participations are sometimes together referred to as the "Note Participations." Each Series of Note Participations evidences and represents proportionate and undivided interests of the owners thereof in certain 2013-14 Tax and Revenue Anticipation Notes (individually, a "Note" and collectively, the "Notes") issued by the County of San Diego (the "County") on behalf of itself and on behalf of the various school districts, as further described under the "THE PARTICIPANTS" herein (the "Districts" and collectively with the County, the "Participants") located in San Diego County, California, and the debt service payments on the Notes to be made by the Participants. Each Note is issued pursuant to Article 7.6, Chapter 4, Part 1, Division 2, Title 5 (commencing with Section 53850) of the California Government Code (the "Government Code") and in accordance with separate resolutions adopted by the Board of Supervisors of the County (the "Board") on behalf of each Participant (each, a "Note Resolution" and collectively, the "Note Resolutions").

The Note Participations of each Series are being issued pursuant to the terms of three separate Trust Agreements, each dated as of July 1, 2013 (each a "Trust Agreement" and collectively the "Trust Agreements"), the first of which is by and between the County (the "Series A Participant") and Wilmington Trust, N.A. (the "Trustee") (the "Series A Trust Agreement") with respect to the Series A Note Participations, the second of which is by and among the County, certain of the Districts identified herein under "THE PARTICIPANTS" (the "Series B-1 Participants") and the Trustee (the "Series B-1 Trust Agreement") with respect to the Series B-1 Note Participations, the third of which is by and among the County, certain of the Districts identified herein under "THE PARTICIPANTS" (the "Series B-2 Participants" and, together with the Series B-1 Participants, the "Series B Participants"; the Series A Participant and the Series B Participants are referred to herein as the "Participants") and the Trustee (the "Series B-2 Trust Agreement" and, together with the Series A Trust Agreement and the Series B-1 Trust Agreement, the "Trust Agreements") with respect to the Series B-2 Note Participations. The Participants will determine the principal amount of their respective Notes upon execution by the County on behalf of all Participants of a Contract of Purchase (the "Purchase Contract"). See APPENDIX A – "COUNTY OF SAN DIEGO FINANCIAL, ECONOMIC AND DEMOGRAPHIC INFORMATION" and APPENDICES B, C and D for a summary description of certain information respecting each Participant.

The Note Participations will be executed and delivered in an aggregate principal amount equal to the aggregate principal amount of the Notes. The Notes represented by the Series A Note Participations are being issued to provide operating cash for the County's current working capital expenditures, capital expenditures and the investment and reinvestment of funds prior to the receipt of anticipated tax payments and other revenues. The Notes represented by the Series B Note Participations are being issued to provide operating cash for the current working capital expenditures, capital expenditures and the investment and reinvestment of funds prior to the receipt of anticipated tax payments and other revenues for the respective Districts. Imbalances in the Participants' cash flows, resulting from the timing of expenditures and receipts, require that the Participants borrow funds to meet all scheduled disbursements, including current expenses, capital expenditures, and the discharge of other obligations or indebtedness of the Participants.

Each Participant has pledged, pursuant to Section 53856 of the Government Code and its respective Note Resolution for the payment of principal of and interest on its respective Note, certain Unrestricted Revenues (as hereinafter defined, the "Pledged Revenues") which are received, accrued or held by the Participant and are attributable to the 2013-14 Fiscal Year, and the principal of its Note and the interest thereon shall constitute a first lien and charge thereon and shall be payable from the first moneys received by the Participant from such Pledged Revenues and, to the extent not so paid, shall be paid from any other taxes, income, revenue, cash receipts and other moneys of the Participant provided for or attributable to the 2013-14 Fiscal Year and available therefor (all as provided for in Sections 53856 and 53857 of the Government Code). The term "Unrestricted Revenues" shall mean all taxes, income, revenue (including, but not limited to, revenue from the State and federal governments), cash receipts, and other moneys, which are generally available for the payment of current expenses and other obligations of the Participant. The Owners (as defined below) shall have a first lien and charge on such Unrestricted Revenues as provided in the respective Trust Agreement which are received, accrued or held by the Participant and are attributable to the 2013-14 Fiscal Year. Notwithstanding the foregoing, the terms "Unrestricted Revenues" and "Pledged Revenues" shall exclude moneys which, when received by the Participant, will be encumbered for a special purpose unless an equivalent amount of the proceeds of the related Participant's Note is set aside and used for said special purpose. **Notwithstanding the foregoing, Unrestricted Revenues pledged by the Participants to the payment of the Notes represented by their respective Participations as Pledged Revenues shall not include any amounts pledged by the Participants to the payment of any temporary transfer of funds by the Treasurer-Tax Collector of the County (the "Treasurer-Tax Collector") pursuant to Section 6 of Article XVI of the California Constitution (the "Temporary Transfers"), which transfers are referred to as Treasurer's Loans from time to time.**

Each Participant has agreed pursuant to its respective Note Resolution to cause to be deposited with the Trustee an amount, together with interest earnings thereon, equal to the principal amount of and interest due on its respective Note from Pledged Revenues received by the Participant in certain sequentially numbered Repayment Months (as defined in the respective Trust Agreements and in the respective Notes). See "SOURCES OF PAYMENT FOR THE NOTE PARTICIPATIONS" herein.

No Participant has any obligation to pay the principal of or interest on the Note of any other Participant. The Notes are general obligations of the respective Participants and, to the extent the Notes are not paid from such Pledged Revenues, the Notes shall be paid, with interest thereon, from any other moneys of the respective Participants lawfully available therefor pursuant to Section

53857 of the Government Code. The obligation of each Participant is a several and not a joint obligation and is strictly limited to such Participant's repayment obligation under its applicable Note Resolution and Note. See "SOURCES OF PAYMENT FOR THE NOTE PARTICIPATIONS" herein.

The Participants may issue, upon satisfaction of certain conditions in the Participant's respective authorizing resolutions, additional notes secured by a pledge of Pledged Revenues on a parity with or subordinate to the pledge of Pledged Revenues for the Notes. See "SOURCES OF PAYMENT FOR THE NOTE PARTICIPATIONS" herein.

All quotations from and summaries and explanations of provisions of the laws of the State of California (the "State") and acts and proceedings of the Participants contained herein do not purport to be complete and are qualified in their entirety by reference to the official compilations thereof, and all references to the Note Participations, the Notes, the Note Resolutions and the proceedings of the Participants relating thereto, are qualified in their entirety by reference to the definitive forms of the Note Participations, the Notes and such proceedings. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the respective Trust Agreement and, where the context indicates, the respective Note Resolution.

THE TRANSACTION

On the date of issuance of the Notes and the execution and delivery of the Note Participations (the "Closing Date") the following transactions shall occur simultaneously in accordance with the respective Trust Agreement: (a) the County shall deposit each respective Note, on behalf of itself and/or of each Participant, in trust with the Trustee, who shall hold such Notes in trust until their maturity; (b) the Trustee shall execute and deliver the related Note Participations, registered in the name of The Depository Trust Company, New York, New York ("DTC"), or its nominee, for the benefit of the beneficial owners of interests in the Note Participations described herein ("Beneficial Owners"); and (c) the proceeds of the Note Participations shall be deposited and disbursed as set forth in the respective Trust Agreement.

The purchase price for the Notes shall be derived solely from the proceeds received from the sale of the Note Participations, which shall be an amount equal to the principal amount of the Notes, less any discount and plus any premium. The Note Participations shall represent undivided, proportionate interests in the Notes and the debt service payments to be made by the Participants under the Notes. Principal and interest payments made by the Participants to the Trustee shall be remitted by wire transfer to DTC or its nominee which in turn will remit such payments to participants in DTC ("DTC Participants") for subsequent disbursement to the Beneficial Owners. See "DESCRIPTION OF THE NOTE PARTICIPATIONS – Book-Entry System" herein. Pursuant to the applicable Trust Agreement, the Trustee agrees to transfer all such debt service payments as may be received from the related Participants to DTC, as Registered Owner of the Note Participations (the "Owner"), and the Trustee agrees to hold the Notes until their maturity for the benefit of the Beneficial Owners. Neither the Trustee nor the Participants shall have any further liability with respect to payments of principal of and interest on the Notes represented by the Note Participations or any fiduciary responsibility to the Owners or the Beneficial Owners except as expressly set forth in the applicable Trust Agreement or the terms of the Note Participations. See "SUMMARY OF THE TRUST AGREEMENTS" herein.

DESCRIPTION OF THE NOTE PARTICIPATIONS

The Note Participations

Each Series of Note Participations will be executed and delivered as fully registered certificates, without coupons. The Note Participations will be dated, will mature and will have an interest component calculated at the rates per annum, all as shown on the cover page hereof. Principal with respect to the Notes will be payable on the applicable Maturity Date (as defined in each Participant's Note). Principal and interest with respect to the Notes will be payable on their respective Maturity Dates (as defined in each Participant's Note). Principal of and interest due on each Series of the Notes represented by the respective Note Participations will be payable by the Trustee to DTC, which will in turn remit such principal and interest to the DTC Participants. It is the responsibility of the DTC Participants to remit such principal and interest to the Beneficial Owners. See "Book-Entry System" herein. The Note Participations and the Notes evidenced thereby are not subject to redemption prior to maturity.

Book-Entry System

The information hereunder concerning DTC and DTC's book-entry only system has been obtained from DTC and the Participants take no responsibility for the completeness or accuracy thereof. The Participants, the Trustee and the Underwriters cannot and do not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Note Participations, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Note Participations, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Note Participations, or that they will do so on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Official Statement. The Participants, the Paying Agent and the Underwriters are not responsible or liable for the failure of DTC or any DTC Participant to make any payment or give any notice to a Beneficial Owner with respect to the Note Participations or an error or delay relating thereto. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

The Depository Trust Company, New York, New York, will act as securities depository for the Note Participations. The Note Participations will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Note Participations and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing

Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. Information on this website is not incorporated herein.

Purchases of the Note Participations under the DTC system must be made by or through Direct Participants, which will receive a credit for the Note Participations on DTC's records. The ownership interest of each actual purchaser of each Note Participation ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Note Participations are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Note Participations, except in the event that use of the book-entry system for the Note Participations is discontinued.

To facilitate subsequent transfers, all Note Participations deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Note Participations with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Note Participations; DTC's records reflect only the identity of the Direct Participants to whose accounts such Note Participations are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Note Participations may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Note Participations, such as redemptions, tenders, defaults, and proposed amendments to the Note Participation documents. For example, Beneficial Owners of the Note Participations may wish to ascertain that the nominee holding the Note Participations for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Note Participations within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Note Participations unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Trustee as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Note Participations are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal of, premium, if any, and interest on the Note Participations will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Participants or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee) nor the Trustee or the Participants, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments of principal of, premium, if any, and interest on the Note Participations to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Participants or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Note Participations at any time by giving reasonable notice to the Participants, the Participants or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Note Participation certificates are required to be printed and delivered.

The Participants may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, certificates will be printed and delivered. In the event that the book entry system is discontinued as described above, the requirements of the Trust Agreement with respect to certified Note Participations will apply.

NEITHER THE PARTICIPANTS NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS WITH RESPECT TO THE PAYMENTS OR THE PROVIDING OF NOTICE TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS OR THE SELECTION OF NOTE PARTICIPATIONS FOR PREPAYMENT.

SOURCES OF PAYMENT FOR THE NOTE PARTICIPATIONS

The Notes

Each Series of Note Participations evidences and represents proportionate and undivided interests in the Series A Notes or Series B Notes, as appropriate, and in debt service payments attributable to such Series of Note Participations to be made thereon by the respective Participants. The Notes are general obligations of the respective Participants and, to the extent not paid from the pledged moneys herein described, shall be paid from any other moneys of the Participants lawfully available therefor. However, except for the Pledged Revenues described herein, the Participants are not prohibited from pledging, encumbering and utilizing other moneys for other purposes and there can be no assurance that such other moneys will be available for the payment of the principal of and interest on the Notes represented by the Note Participations and the Notes evidenced thereby. **No Participant has any obligation to pay the principal of or interest on the Note of any other Participant.**

The Notes represented by the Series A Note Participations are secured by the Pledged Revenues of the County as described herein. See APPENDIX A – "COUNTY OF SAN DIEGO FINANCIAL, ECONOMIC AND DEMOGRAPHIC INFORMATION" for more information on the County.

The Notes represented by the Series B Note Participations are secured by the Pledged Revenues as described herein of the Series B Note Participants. See APPENDIX B – "INFORMATION REGARDING THE DISTRICTS" for more information on the Districts.

Pledged Revenues

As security for the Notes, the Participants have each pledged certain Unrestricted Revenues (as hereinafter defined, the "Pledged Revenues") which are received, accrued or held by the Participant and are attributable to the 2013-14 Fiscal Year, and the principal of the respective Notes and the interest thereon shall constitute a first lien and charge thereon and shall be payable from the first moneys received by the Participant from such Pledged Revenues, and, to the extent not so paid, shall be paid from any other taxes, income, revenue, cash receipts and other moneys of the Participant provided for or attributable to the 2013-14 Fiscal Year and available therefor (all as provided for in Sections 53856 and 53857 of the Government Code). The term "Unrestricted Revenues" shall mean all taxes, income, revenue (including, but not limited to, revenue from the state and federal governments), cash receipts, and other moneys, which are generally available for the payment of current expenses and other obligations of the Participant. The Owners shall have a first lien and charge on such Unrestricted Revenues as provided in the respective Trust Agreement which are received, accrued or held by the Participant and are attributable to the 2013-14 Fiscal Year. Notwithstanding the foregoing, the terms "Unrestricted Revenues" and "Pledged Revenues" shall exclude moneys which, when received by a Participant, will be encumbered for a special purpose unless an equivalent amount of the proceeds of its Note is set aside and used for said special purpose. **Notwithstanding the foregoing, Unrestricted Revenues pledged by the Participants to the payment of the Notes represented by the Note Participations as Pledged Revenues shall not include any amounts pledged by the Participants to the payment of any Treasurer Temporary Transfers.**

To effect the pledge referred to in the preceding paragraph, each Participant has agreed pursuant to its respective Note Resolution to the establishment and maintenance by the Trustee of a Payment Account as a special fund of such Participant (each, a "Payment Account") within the Note Participation Payment Fund under the applicable Trust Agreement. Each Participant has agreed to cause to be deposited directly in its Payment Account on the Repayment Dates (as defined in such Participant's Note) Pledged Revenues until the amount on deposit in such account is equal on the respective Repayment Dates to the percentages of the principal of the Note due at maturity and interest due on the Note on the Payment Dates. Any such deposit may take into consideration anticipated investment earnings on amounts invested in a Permitted Investment, as defined in the applicable Trust Agreement, with a fixed rate of return through the applicable Maturity Date. In the event that on each such Repayment Date, such Participant has not received an amount sufficient to deposit into its Payment Account the full amount of Pledged Revenues, then the amount of any deficiency will be satisfied and made up from any other moneys of such Participant lawfully available for the payment of the principal of its Note and the interest thereon, as and when such other moneys are received or are otherwise legally available. The schedule of Pledged Revenue deposits, including the percentage of aggregate principal and interest to be set aside on the applicable Repayment Dates, is set forth in APPENDIX E – "SCHEDULE OF PLEDGED REVENUE DEPOSITS" attached hereto.

On each Payment Date, the moneys in the respective Payment Accounts shall be transferred by the Trustee, to the extent necessary, to pay the interest on, or principal of and interest on, the Notes, as applicable. In the event that moneys in any Payment Account are insufficient to pay the interest on, or the principal of and interest on, the related Note in full on the applicable Payment Date, moneys in such Payment Account shall be applied first to pay interest on the related Note and second to pay principal of the related Note. See APPENDIX G - "PARTICIPANT NOTE AMOUNTS AND COVERAGE ANALYSIS" attached hereto.

Payment Accounts

In accordance with the provisions of the applicable Trust Agreement, all principal and interest payments on the Notes received by the Trustee shall be held in trust by the Trustee under the terms of the respective Trust Agreement and shall be deposited by it, as and when received, in the appropriate Payment Account within the Note Participation Payment Fund established thereunder, and all money in such fund shall be held in trust by the Trustee for the benefit of the Participant submitting such money until deposited for the payment of principal and interest in connection with the applicable Series of Note Participations, whereupon such money shall be held in trust in such accounts by the Trustee for the benefit and security of the Owners as set forth in the applicable Trust Agreement. Pursuant to each Note Resolution, each Participant is required to deposit amounts with the Trustee on the dates identified as such Participant's Repayment Dates until the amount on deposit in such Participant's Payment Account, taking into consideration anticipated investment earnings thereon to be received by the applicable Maturity Date, is equal in the respective Repayment Months identified in the Pricing Confirmation to the percentages of the interest, or the principal and interest, as applicable, due on such Participant's Note on each Payment Date. Pursuant to each Participant's Note Resolution, the maximum number of Repayment Dates for each Participant shall be six. If any Participant fails to make the required deposits, the Trustee shall as soon as practical (but in any event within five Business Days) notify such Participant of such failure. If the Trustee receives Payment Account deposits from a Participant in excess of the amounts required to pay the principal of and interest due on such Participant's Note on the Principal Payment Date, such excess amounts shall remain in the appropriate Participant's Payment Account in the Note Participation Payment Fund and shall be transferred to such Participant following payment of the amount of Note Participations evidencing and representing such Participant's Note. **The Participants, to the extent they have any interest in such fund, pledge, transfer, assign and grant a lien on and a security interest in the Note Participation Payment Fund and their respective Payment Account therein to the Trustee for the benefit of the Owners. Moneys in any Participant's Payment Account will neither be available nor used in any manner (directly or indirectly) to make up any deficiency in the Payment Account of another Participant or for payment of principal of and interest on any other Participant's Note.**

Expedited Procedure for Deposits into Payment Accounts

Each Participant has covenanted to cause its funds, to the extent available, to be transferred by the County Treasurer-Tax Collector from its general fund at the County Treasurer-Tax Collector's office, or from the Participant's Proceeds Subaccount (as hereinafter defined) held by the Trustee, for deposit and credit to such Participant's Payment Account under the applicable Trust Agreement, in an amount equal to the principal and interest due on the Participant's Note on each Repayment Date. Unless otherwise instructed by the Participant, the Trustee shall first cause the respective Participant's funds, to the extent available, to be transferred from the Participants' general fund at the County Treasurer-Tax Collector's office to the Participant's Payment Account. The Trustee shall cause the balance, if any, required to be transferred in each Repayment Month to be deposited into each Participant's respective Proceeds Subaccount.

Additional Notes

Each Participant may at any time during the 2013-14 Fiscal Year issue or provide for the issuance of an additional note secured by a pledge of Pledged Revenues on a parity with the pledge of Pledged Revenues for the Notes (the "Parity Note"); provided that (i) such Participant shall have received confirmation from each rating agency rating its outstanding Note or Series of Note Participations related to the Note, that the issuance of such Parity Note (or related series of note participation if sold into a pool) will not cause a reduction or withdrawal of such rating agency's rating on the outstanding Note or Series of Note Participations related to the Note, (ii) the maturity date of any such Parity Note shall be later than the Participant's outstanding Note and (iii) such Participant shall have received the written consent of the credit provider, if any, to the issuance of the Parity Note.

Each Participant may also issue, upon satisfaction of certain conditions in the Participant's respective authorizing resolution, additional notes secured by a pledge of Pledged Revenues subordinate to the pledge of Pledged Revenues for the Notes.

SUMMARY OF THE NOTE RESOLUTIONS

Covenants of the Participants

In its respective Note Resolution, each Participant has approved and authorized, on its behalf, the execution of the respective Trust Agreement and its respective Note and has represented or covenanted, among other things, the following:

(A) The Participant has (or will have prior to the issuance of its Note) duly, regularly and properly adopted a preliminary budget for Fiscal Year 2013-14 setting forth expected revenues and expenditures and has complied with all statutory and regulatory requirements with respect to the adoption of such budget. The Participant will (i) duly, regularly and properly prepare and adopt its final budget for the Repayment Fiscal Year, (ii) provide to the credit provider, if any, the financial advisor to the Districts (for Series B Participants) and the Underwriters (or owner of the Series of Note Participations in the event of a private placement), promptly upon adoption, copies of such final budget and of any subsequent revisions, modifications or amendments thereto and (iii) comply with all applicable law pertaining to its budget.

(B) The sum of the principal amount of the Participant's Note plus the interest payable thereon, on the date of its issuance, will not exceed fifty percent (50%) of the estimated amounts of such Participant's uncollected taxes, income, revenue (including, but not limited to, revenue from the State and federal governments), cash receipts, and other moneys to be received or accrued by such Participant for the general fund of such Participant and provided for or attributable to Fiscal Year 2013-14, all of which will be legally available to pay principal of and interest on the Note (exclusive of any moneys required to be used to repay a treasurer's loan, if any).

(C) The Participant has experienced an *ad valorem* property tax collection rate of not less than eighty-five percent (85%) of the average aggregate amount of *ad valorem* property taxes levied within the Participant's boundaries in each of the last five fiscal years for which information is available, and such Participant, as of the date of adoption of its Note Resolution and on the date of issuance of its Note, reasonably expects the County to collect at least eighty-five percent (85%) of such amount for Fiscal Year 2013-14.

(D) The Participant is not currently in default, on any debt obligation and, to the best knowledge of such Participant, has never defaulted on any debt obligation.

(E) The Participant and its appropriate officials have duly taken, or will take, all proceedings necessary to be taken by them, if any, for the levy, receipt, collection and enforcement of the Pledged Revenues in accordance with law for carrying out the provisions of its Note Resolution and its Note.

(F) Except for a Parity Note, if any, the Participant shall not incur any indebtedness secured by a pledge of its Unrestricted Revenues unless such pledge is subordinate in all respects to the pledge of Unrestricted Revenues under its Note Resolution.

(G) The Participant will maintain a positive general fund balance in Fiscal Year 2013-14.

Each of the Series B Participants will further certify that it has funded its Reserve for Economic Uncertainties for Fiscal Year 2012-2013 in at least the minimum amount recommended, and will fund its Reserve for Economic Uncertainties for Fiscal Year 2013-2014 in at least the minimum amount recommended by the State Superintendent of Public Instruction.

Events of Default

Pursuant to each respective Participant's Resolution, if any of the following events occurs, it is defined as and declared to be and to constitute an "Event of Default" under such Note Resolution:

(A) Failure by the Participant to make or cause to be made the deposits to its Payment Account or any other payment required to be paid under its Note Resolution on or before the date on which such deposit or other payment is due and payable;

(B) Failure by the Participant to observe and perform any covenant, condition or agreement on its part to be observed or performed under its Note Resolution, for a period of 15 days after written notice, specifying such failure and requesting that it be remedied, is given to the Participant by the Trustee, unless the Trustee shall agree in writing to an extension of such time prior to its expiration;

(C) Any warranty, representation or other statement by or on behalf of the Participant contained in its Note Resolution or the Purchase Contract (including its Pricing Confirmation), or in any instrument furnished in compliance with or in reference to its Note Resolution or the Purchase Contract or in connection with its Note, is false or misleading in any material respect;

(D) A petition is filed against the Participant under any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation law of any jurisdiction, whether now or hereafter in effect and is not dismissed within 30 days after such filing, but the Trustee shall have the right to intervene in the proceedings prior to the expiration of such 30 days to protect its and the Owners' interests;

(E) The Participant files a petition in voluntary bankruptcy or seeking relief under any provision of any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation law of any jurisdiction, whether now or hereafter in effect, or consents to the filing of any petition against it under such law; and

(F) The Participant admits insolvency or bankruptcy or is generally not paying its debts as such debts become due, or becomes insolvent or bankrupt or makes an assignment for the benefit of creditors, or a custodian (including without limitation a receiver, liquidator or trustee) of the Participant or any of its property is appointed by court order or takes possession thereof and such order remains in effect or such possession continues for more than 30 days, but the Trustee shall have the right to intervene in the proceedings prior to the expiration of such 30 days to protect its and the Owners' interests.

Remedies

Whenever any Event of Default under any Note Resolution shall have happened and be continuing, the Trustee shall, in addition to any other remedies provided under the applicable Note Resolution or by law or under the respective Trust Agreement, have the right, at its option without any further demand or notice, to take one or any combination of the following remedial steps:

(1) Without declaring the affected Note to be immediately due and payable, require the related Participant to pay to the Trustee, for deposit into the Payment Account of the Participant in the Note Participation Payment Fund under the related Trust Agreement, an amount equal to the principal of its Note and interest thereon to maturity, plus all other amounts due under the related Note Resolution, and upon notice to the Participant the same shall become immediately due and payable by the Participant without further notice or demand; and

(2) Take whatever other action at law or in equity (except for acceleration of payment on the Note) which may appear necessary or desirable to collect the amounts then due and thereafter to become due under the related Note Resolution or to enforce any other of its rights under the related Note Resolution.

SUMMARY OF THE TRUST AGREEMENTS

General

Pursuant to the respective Trust Agreement, the Trustee is appointed to act as trustee with respect to each Series of the Note Participations, with the duty to hold each Series of Notes in trust until maturity for the benefit of the Owners of the respective Note Participations. The payments on the Notes shall be used for the punctual payment of the interest and principal evidenced and represented by the related Note Participations, and the Notes of a Series or payments thereon shall not be used for any other purpose while any of the related Note Participations remain Outstanding.

Deposit of the Notes, Note Proceeds and Note Payments

Pursuant to the respective Trust Agreement, each Series of Notes, as evidenced and represented by the respective Series of Note Participations, shall be irrevocably deposited with and pledged and transferred to the Trustee, which is the registered owner of each Note for the benefit of the Owners of the Note Participations and the payments on the Notes shall be used for the punctual payment of the interest and principal evidenced and represented by each Series of Note Participations, and the Notes shall not be used for any other purpose while any Series of Note Participations remain Outstanding. This deposit, transfer and pledge shall constitute a first and exclusive lien on the principal and interest payments of the Notes for the foregoing purpose in accordance with the terms of the respective Trust Agreement.

The Trustee shall execute and deliver the Note Participations evidencing and representing the aggregate principal amount of the Notes. The obligation of each Participant to Owners is a several and not a joint obligation and is strictly limited to the Participant's repayment obligation under its Resolution and its Note. The net proceeds from the sale of the Note Participations will be deposited with the Trustee for the payment of certain costs of issuance and for deposit into the Proceeds Fund and credited to subaccounts of that Fund (the "Proceeds Subaccounts"), one of which shall be established for each of the Participants. All money in the Proceeds Fund shall be held by the Trustee in trust. Moneys in the Proceeds Subaccount of each Participant shall be disbursed to that Participant from time to time, as soon as practical, pursuant to a requisition of the Participant, for any purpose for which the Participant is authorized to expend moneys.

All principal and interest payments on the Notes shall be paid directly by the Participants to the Trustee. All principal and interest payments on the Notes received by the Trustee shall be held in trust by the Trustee under the terms of the applicable Trust Agreement and shall be deposited by it, as and when received, in the appropriate Payment Account within the Note Participation Payment Fund, which fund the Trustee shall maintain so long as any Note Participations are Outstanding, and all money in such fund shall be held in trust by the Trustee for the benefit of the Participant submitting such money until deposited in the Interest Fund and Principal Fund in accordance with the applicable Trust Agreement, whereupon such money shall be held in trust in such funds by the Trustee for the benefit and security of the Owners to the extent provided in the applicable Trust Agreement. Pursuant to each Participant's Note Resolution, each Participant is required to deposit amounts with the Trustee in the months identified as such Participant's Repayment Months. Any such deposit may take into consideration anticipated investment earnings on amounts deposited or in an investment agreement through the applicable Maturity Date. If any Participant fails to make the required deposits, the Trustee shall as soon as practical (but in any event within five Business Days) notify such Participant, Standard & Poor's Rating Service ("S&P") and Moody's Investors Service ("Moody's") of such failure.

Upon written instruction from any Authorized District Representative, to the extent that the Trustee holds moneys and/or securities in a Participant's Proceeds Subaccount, there shall be transferred to such Participant's Payment Account in the Note Participation Payment Fund from the Proceeds Subaccount of such Participant in any Repayment Month, the amount stated in such instruction, but not more than an amount equal to the percentages of the principal of and interest due on such Participant's Note at maturity for the corresponding Repayment Month designated on the face of each such Participant's Note.

Investments

Any money held by the Trustee in the Note Participation Payment Fund and the Proceeds Fund may, to the fullest extent practicable, be invested under one or more investment agreement(s) meeting the requirements of the respective Trust Agreements (the "Investment Agreements"); provided that, upon the request of any Participant, moneys held by the Trustee with respect to such Participant's Proceeds Subaccount or Payment Account of such Participant, shall be invested, by the Trustee in any of the other Permitted Investments as described in and under the terms of the respective Trust Agreement. The amounts held in the several Payment Accounts and Proceeds Subaccounts will be accounted for separately by the Trustee. See "INVESTMENT OF PARTICIPANT FUNDS" herein.

The Trustee may act as principal or agent in the acquisition or disposition of any such deposit or investment and may at its sole discretion, for the purpose of any such deposit or investment, commingle any of the moneys held by it under the applicable Trust Agreement. The Trustee shall not be liable or responsible for any loss suffered in connection with any such deposit or investment made by it under the terms of and in accordance with the applicable Trust Agreement. The Trustee may present for redemption or sell any such deposit or investment whenever it shall be necessary in order to provide money to meet any payment of the money so deposited or invested, and the Trustee shall not be liable or responsible for any losses resulting from any such deposit or investment presented for redemption or sold. Any interest or profits on such deposits and investments received by the Trustee shall be credited to the fund or account from which such investment was made.

Moneys held by the Trustee in the Costs of Issuance Fund, Principal Fund and the Interest Fund shall be invested in Permitted Investments as directed by the County, as representative of the Participants, in writing. "Permitted Investments" include each of the following to the extent then permitted by law:

(1) United States of America Treasury bills, notes, bonds or certificates of indebtedness, or obligations for which the full faith and credit of the United States of America are pledged for the payment of interest and principal;

(2) Any obligations which are then legal investments for moneys of the Participants under the laws of the State of California; *provided*, that if such investments are not fully insured by the Federal Deposit Insurance Corporation, such investments shall be, or shall be issued by entities the debt securities of which are, rated in the highest short-term or one of the two highest long-term rating categories by Moody's and S&P, including any fund for which the Trustee, or any of its affiliates provides management, advisory, or sponsorship service;

(3) Units of a money-market fund portfolio composed of obligations either issued by United States government sponsored enterprises or guaranteed by the full faith and credit of the United States of America rated in one of the two highest rating categories by Moody's and S&P; including any fund for which the Trustee or any of its affiliates provides management, advisory or sponsorship services;

(4) An investment agreement, including a repurchase agreement, with a financial entity, or with a financial entity whose obligations are guaranteed or insured by a financial entity, whose senior debt or investment contracts or obligations under its investment contracts are rated in one of the two highest long-term rating categories by Moody's and S&P or whose commercial paper rating is in the highest rating category of each such rating agencies or is collateralized by investments listed in subsection (1) hereof as required by S&P and Moody's to be rated in one of the two highest rating categories;

(5) The San Diego County Investment Pool;

(6) Any securities required or permitted to be used to collateralize an investment agreement, to the extent such securities are used to collateralize an investment agreement; or

(7) Any other investment rated in one of the two highest rating categories by Moody's and S&P approved by the Credit Provider (as defined in the Trust Agreement) and the County.

Events of Default

If any default in the payment of principal of or interest on a Note or any other "Event of Default" defined in a Note Resolution shall occur and be continuing, or if any default shall be made by a Participant in the performance or observance of any other of the covenants, agreements or conditions on its part contained in the applicable Trust Agreement and such default shall have continued for a period of thirty (30) days after written notice thereof shall have been given to such Participant by the Trustee or the Owners of not less than a majority in aggregate principal amount evidenced and represented by the Note Participations at the time Outstanding, then such default shall constitute an "Event of Default" under the applicable Trust Agreement, and in each and every such case during the continuance of such Event of Default the Trustee or the Owners of not less than a majority in aggregate principal amount evidenced and represented by the Note Participations at the time Outstanding shall be entitled, upon notice in writing to such Participant, to exercise the remedies provided to the owner of the Note then in default or under the Note Resolution pursuant to which it was issued; provided, that nothing contained in the applicable Trust Agreement shall affect or impair the right of action of any Owner to institute suit directly against the respective Participant to enforce payment of the obligation evidenced and represented by such Owner's Note Participation.

The Owners of Note Participations, for purposes of the Trust Agreements and the Note Resolutions, to the extent of their interests, shall be treated as owners of the Notes and shall be entitled to all rights and security of the owners of Notes pursuant to each Note and Note Resolution and each respective Trust Agreement, and shall be treated for all purposes as owners of the Notes. The Trustee shall have the right: (a) by mandamus or other action or proceeding or suit at law or in equity to enforce its rights under the applicable Trust Agreement against any Participant or any trustee, member, officer or employee thereof, and to compel such Participant or any such trustee, member, officer or employee thereof to observe or perform its or his duties under applicable law and the agreements, conditions, covenants and terms contained in the applicable Trust Agreement, or in the applicable Note and Note Resolution, required to be observed or performed by it or him; (b) by suit in equity to enjoin any acts or things which are unlawful or violate the rights of the Trustee; or (c) by suit in equity upon the happening of any default under the applicable Trust Agreement to require any Participant and any trustee, member, officer and employee thereof to account as the trustee of any express trust.

Application of Funds Upon Event of Default

All moneys received by the Trustee pursuant to any right given or action taken upon the occurrence of an Event of Default pursuant to the applicable Trust Agreement shall be deposited into the segregated Payment Account of the Note Participation Payment Fund relating to the defaulting Participant's Note and be applied by the Trustee after payment of its costs in accordance with the applicable Trust Agreement in the following order; *provided* (i) that all amounts in the Credit Fund shall be applied (without regard to payment of the Trustee's costs in accordance with the applicable Trust Agreement) solely to payment of the principal of and interest evidenced and represented by the Note Participations, and *provided*, that the Trustee shall obtain and follow the instructions contained in an Opinion of Counsel and rebate or set aside for rebate from the specified funds held under the applicable Trust Agreement, subject to the prior payment in full of all amounts applicable to the respective Participant specified in clause (ii) above, any amount pursuant to such instructions required to be paid to the United States of America under the Internal Revenue Code of 1986, as amended, and the regulations issued or applicable thereunder:

First, Costs and Expenses: to the payment of the costs and expenses of the Trustee and then of the Owners in declaring such Event of Default, including reasonable compensation to its or their agents, attorneys and counsel;

Second, Interest: to the payment to the persons entitled thereto of all payments of interest evidenced and represented by the Note Participations then due in the order of the due date of such payments, and, if the amount available shall not be sufficient to pay in full any payment or payments coming due on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference; and

Third, Principal: to the payment to the persons entitled thereto of the unpaid principal evidenced and represented by any Note Participations which shall have become due, in the order of their due dates, with interest on the overdue principal and interest represented by the Note Participations at a rate equal to the Default Rate and, if the amount available shall not be sufficient to pay in full all the amounts due with respect to the Note Participations on any date, together with such interest, then to the payment thereof ratably, according to the amounts of principal due on such date to the persons entitled thereto, without any discrimination or preference.

INVESTMENT OF PARTICIPANT FUNDS

Pursuant to the Education Code, the Districts' operating funds are generally deposited into the County Treasury to the credit of the proper fund of the respective Participant. In the case of the Note

Participations, the net proceeds attributable to such Participant will be initially credited to subaccounts of the Proceeds Fund, one of which shall be established for each Participant. See also "SUMMARY OF THE TRUST AGREEMENTS – Investments" herein and Appendix A – "COUNTY OF SAN DIEGO FINANCIAL, ECONOMIC AND DEMOGRAPHIC INFORMATION – San Diego County Investment Pool" attached hereto.

THE PARTICIPANTS

The County and the Districts participating in the financing herein described and the principal amount of the Note Participations of each Series reflecting the principal amount of the Notes issued on behalf of the Participants are set forth below.

Series A Note Participant	Principal Amount
County of San Diego	$ 60,000,000
Series B-1 Note Participants	Principal Amounts
Cardiff School District	$ 345,000
Encinitas Union School District	4,155,000
La Mesa-Spring Valley School District	6,490,000
National School District	2,060,000
Series B-2 Note Participants	Principal Amounts
Carlsbad Unified School District	$ 9,240,000
Fallbrook Union High School District	1,095,000
Grossmont Union High School District	15,000,000
Ramona Unified School District	3,575,000
San Dieguito Union High School District	13,250,000
Total:	$ 115,210,000

LIMITATIONS ON REMEDIES

The source of repayment of the Note Participations is debt service payments on the respective Notes. A Participant is liable on its Note (even in the event that such Note becomes a Defaulted Note) only to the extent of its available revenues provided for or attributable to Fiscal Year 2013-14. If such available revenues are not sufficient to pay its Note or Defaulted Note, as the case may be, such Participant is not obligated to pay such Note or Defaulted Note from any other sources (including subsequent fiscal years' revenues). **The obligation of a Participant to make payments on or in respect of its Note is a several and not a joint obligation and is strictly limited to such Participant's repayment obligation under its Note Resolution and its Note, and to its Pledged Revenues.**

The rights of the Owners of the Note Participations are subject to certain limitations in the State, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest. Additionally, enforceability of the rights and remedies of the Owners of the Note Participations, and the obligations incurred by the Participants, respectively, may become subject to the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditor's rights generally, now or hereafter in effect, equity principles which may limit the specific enforcement under State law of certain remedies, the exercise by the United States of America of the powers delegated to it by the Constitution, and the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose.

Bankruptcy proceedings, or the exercise of powers by the federal or State government, if initiated, could subject the Owners of the Note Participations to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation, or modification of their rights.

On January 24, 1996, the United States Bankruptcy Court for the Central District of California held in the case of *County of Orange v. Merrill Lynch* that a State statute providing for a priority of distribution of property held in trust conflicted with, and was preempted by, federal bankruptcy law. In that case, the court addressed the priority of the disposition of moneys held in a county investment pool upon bankruptcy of the county, but was not required to directly address the State statute that provides for the lien in favor of holders of tax and revenue anticipation notes. The Participants are in possession of the taxes and other revenues that will be set aside and pledged to repay the Notes evidenced by the Note Participations and, following payment of these funds to the Trustee, these funds will be invested in the name of the Trustee for a period of time in the San Diego County Investment Pool or in an Investment Agreement. In the event of a petition for the adjustment of debts of any of the Participants under Chapter 9 of the federal bankruptcy code, a court might hold that the Owners of the Notes evidenced by the Note Participations do not have a valid and/or prior lien on the Pledged Revenues where such amounts are deposited in the San Diego County Investment Pool or in an Investment Agreement and may not provide the Owners of the Notes evidenced by the Note Participations with a priority interest in such amounts. In that circumstance, unless the Owners could "trace" the funds from the Repayment Fund that have been deposited in the San Diego County Investment Pool or in an Investment Agreement, the Owners would be unsecured (rather than secured) creditors of the Participants. There can be no assurance that the Owners could successfully so "trace" the Pledged Revenues.

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP ("Bond Counsel"), Bond Counsel to the Participants, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Notes represented by the Note Participations is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and is exempt from State of California personal income taxes. The amount treated as interest on the Notes represented by the Note Participations and excluded from gross income may depend on the taxpayer's election under Internal Revenue Service Notice 94-84. In the further opinion of Bond Counsel, interest on the Notes represented by the Note Participations is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. A complete copy of the proposed form of opinion of Bond Counsel is set forth in APPENDIX F hereto.

Notice 94-84, 1994-2 C.B. 559, states that the Internal Revenue Service (the "IRS") is studying whether the amount of the payment at maturity on debt obligations (*i.e.*, debt obligations with a stated fixed rate of interest which mature not more than one year from the date of issue) that is excluded from gross income for federal tax purposes is (i) the stated interest payable at maturity. or (ii) the difference between the issue price of the short-term debt obligations and the aggregate amount to be paid at maturity of the short-term debt obligations (the "original issue discount"). The Note Participations may be executed as short-term debt obligations. For this purpose, the issue price of the short-term debt obligations is the first price at which a substantial amount of the short-term debt obligations is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). Until the IRS provides further guidance with respect to tax-exempt short-term debt obligations, taxpayers may treat either the stated interest payable at maturity or the original issue discount as interest that is excluded from gross income for federal income tax purposes.

However, taxpayers must treat the amount to be paid at maturity on all tax-exempt short-term debt obligations in a consistent manner. Taxpayers should consult their own tax advisors with respect to the tax consequences of ownership of the Note Participations if the Note Participations are executed as short-term debt obligations and if the taxpayer elects original issue discount treatment.

Note Participations purchased, whether at original issuance or otherwise, for an amount higher than their principal amount on the Notes represented by such Note Participations payable at maturity ("Premium Notes") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of obligations, like the Premium Notes, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner's basis in a Premium Note, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Notes should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Notes represented by the Note Participations. The Participants have made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Notes represented by the Note Participants will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Notes represented by the Note Participations being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Note Participations. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of issuance of the Note Participations may adversely affect the value of, or the tax status of interest on, the Notes represented by the Note Participations. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

One of the covenants of the Participants referred to above requires each Participant that does not qualify as a "small governmental issuer" under the Code to reasonably and prudently calculate the amount, if any, of excess investment earnings on the proceeds of the Note Participations which must be rebated to the United States, to set aside from lawfully available sources sufficient moneys to pay such amounts and to otherwise do all things necessary and within its power and authority to assure that interest on the Notes represented by the Note Participations is excluded from gross income for federal income tax purposes. Under the Code, if each Participant spends 100% of its pro rata share of the proceeds of the Note Participations within six months after initial delivery, there is no requirement that there be a rebate of investment profits in order for interest on the Notes represented by the Note Participations to be excluded from gross income for federal income tax purposes. The Code also provides that such proceeds are not deemed spent until all other available moneys (less a reasonable working capital reserve) are spent. The Participants expect to satisfy this expenditure test or, if they fail to do so, to make any required rebate payment from moneys received or accrued during the 2013-2014 Fiscal Year. To the extent that any rebate cannot be paid from such moneys, the law of California is unclear as to whether such covenant would require the Participants to pay any such rebate. This would be an issue only if it were determined that the Participants' calculations of expenditures of Notes proceeds or of rebatable arbitrage profits, if any, were incorrect.

Although Bond Counsel is of the opinion that interest on the Notes represented by the Note Participations is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of interest on, the Note Participations may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Notes to be subject, directly or indirectly, in whole or in part, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent holders from realizing the full current benefit of the tax status of such interest. As one example, the Obama Administration's proposed 2014 budget includes a legislative proposal which, for tax years beginning after December 31, 2013, would limit the exclusion from gross income of interest on obligations like the Notes to some extent for taxpayers who are individuals and whose income is subject to higher marginal income tax rates. The introduction or enactment of any such legislative proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Notes. Prospective purchasers of the Notes should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel is expected to express no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Note Participations for federal income tax purposes. It is not binding on the IRS or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the Participants, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The Participants have covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Note Participations ends with the issuance of the Note Participations, and, unless separately engaged, Bond Counsel is not obligated to defend the Participants or the Beneficial Owners regarding the tax-exempt status of the Note Participations in the event of an audit examination by the IRS. Under current procedures, parties other than the Participants and their appointed counsels, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the Participants legitimately disagree, may not be practicable. Any action of the IRS, including but not limited to selection of the Note Participations for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Note Participations, and may cause the Participants or the Beneficial Owners to incur significant expense.

The form of proposed opinion of Bond Counsel is set forth in APPENDIX F of this Official Statement. Bond Counsel expresses no opinion therein on the accuracy, completeness or sufficiency of this Official Statement or other offering material related to the Note Participations.

LITIGATION

There is no litigation now pending or to the knowledge of the respective Participants threatened (1) to restrain or enjoin the issuance or sale of the Notes or the execution and delivery of the Note Participations; (2) questioning or affecting the validity of the Notes or the Note Participations or the Note Resolutions; or (3) questioning or affecting the validity of any of the proceedings for the authorization, sale, execution or delivery of the Notes or the Note Participations.

RATINGS

Moody's, Standard & Poor's and Fitch Ratings have rated the Series A Note Participations "MIG 1" "SP-1+" and "F1+", respectively. Standard & Poor's has rated each of the Series B-1 Note Participations and the Series B-2 Note Participations "SP-1+." The ratings reflect only the views of the rating agencies and any explanation of the significance of such ratings and any ratings on any of the Participants' outstanding obligations may be obtained only from such rating agencies as follows: Fitch Ratings, One State Street Plaza, New York, New York 10004, Moody's Investors Service, Inc., 7 World Trade Center at 250 Greenwich Street, New York, New York 10007, and Standard & Poor's Ratings Services, 55 Water Street, New York, New York 10041. There is no assurance that the ratings will remain in effect for any given period of time or that they will not be revised downward or withdrawn entirely by such rating agencies, or any of them, if, in their respective judgment, circumstances so warrant. Any downward revision or withdrawal of a rating may have an adverse effect on the trading value and the market price of the respective Note Participations. A securities rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time.

LEGAL MATTERS

Legal matters incident to the delivery of the Note Participations are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, Los Angeles, California, Bond Counsel. A complete copy of the proposed form of opinion of Bond Counsel is contained in APPENDIX F. As Bond Counsel, Orrick, Herrington & Sutcliffe LLP undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Certain legal matters will be passed upon by Hawkins Delafield & Wood LLP, Los Angeles, California, Underwriters' Counsel.

UNDERWRITING

The Underwriters identified on the cover page hereof (the "Underwriters") have jointly and severally agreed, subject to certain conditions, to purchase the Note Participations. The aggregate purchase price for the Series A Notes shall be $61,043,779.06 (consisting of the $60,000,000.00 aggregate principal amount of the Series A Notes, plus a premium of $1,092,600.00 less $48,820.94 of Underwriters' discount). The aggregate purchase price for the Series B-1 Notes shall be $13,172,615.35 (consisting of the $13,050,000.00 aggregate principal amount of the Series B-1 Notes, plus a premium of $138,330.00, less $15,714.65 of Underwriters' discount). The aggregate purchase price for the Series B-2 Notes shall be $42,732,791.76 (consisting of the $42,160,000.00 aggregate principal amount of the Series B-2 Notes, plus a premium of $621,860.00, less $49,068.24 of Underwriters' discount). The Purchase Contract provides that the Underwriters will purchase all the Note Participations if any are purchased. The Note Participations may be offered and sold by the Underwriters to certain dealers and others at prices lower than such public offering price, and such public offering price may be changed, from time to time, by the Underwriters.

The following two sentences have been provided by Citigroup Global Markets Inc. ("Citigroup"), one of the Underwriters for the Note Participations: Citigroup Inc., parent company of Citigroup Global Markets Inc., an Underwriter of the Note Participations, has entered into a retail brokerage joint venture with Morgan Stanley. As part of the joint venture, Citigroup Global Markets Inc. will distribute municipal securities to retail investors through the financial advisor network of a new broker-dealer, Morgan Stanley Smith Barney LLC. This distribution arrangement became effective on June 1, 2009. As part of this arrangement, Citigroup Global Markets Inc. will compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Note Participations.

The following two sentences have been provided by De La Rosa & Co., one of the Underwriters for the Note Participations: De La Rosa & Co., one of the Underwriters of the Note Participations, has entered into separate agreements with Credit Suisse Securities USA LLC and City National Securities, Inc. for retail distribution of certain municipal securities offerings, at the original issue prices. Pursuant to said agreement, if applicable to the Note Participations, De La Rosa & Co. will share a portion of its underwriting compensation with respect to the Note Participations, with Credit Suisse Securities USA LLC or City National Securities, Inc.

The following two paragraphs have been provided by Wells Fargo Bank, N.A., one of the Underwriters for the Note Participations:

Wells Fargo Bank, National Association ("WFBNA"), one of the underwriters of the Note Participations, has entered into an agreement (the "Distribution Agreement") with its affiliate, Wells Fargo Advisors, LLC ("WFA"), for the distribution of certain municipal securities offerings, including the Note Participations. Pursuant to the Distribution Agreement, WFBNA will share a portion of its underwriting or remarketing agent compensation, as applicable, with respect to the Note Participations with WFA. WFBNA also utilizes the distribution capabilities of its affiliates, Wells Fargo Securities, LLC ("WFSLLC") and Wells Fargo Institutional Securities, LLC ("WFIS"), for the distribution of municipal securities offerings, including the Note Participations. In connection with utilizing the distribution capabilities of WFSLLC, WFBNA pays a portion of WFSLLC's expenses based on its municipal securities transactions. WFBNA, WFSLLC, WFIS, and WFA are each wholly-owned subsidiaries of Wells Fargo & Company.

Wells Fargo Securities is the trade name for certain securities-related capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association.

The following two paragraphs have been provided by the Underwriters:

Certain of the Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Further, certain of the Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various investment banking services for the County for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, certain of the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. In the ordinary course of their various business activities, certain of the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt securities for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the County.

FINANCIAL ADVISOR

Government Financial Strategies inc., Sacramento, California, serves as the Financial Advisor to the Districts in connection with the execution and delivery of the Series B Note Participations. The Financial Advisor to the Districts has not undertaken to make an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement.

CONTINUING DISCLOSURE

Pursuant to the respective Trust Agreements and in compliance with Rule 15c2-12(b)(5) of the Securities and Exchange Commission (the "Rule"), the Participants have agreed to give, or cause to be given, through the Municipal Securities Rulemaking Board's Electronic Municipal Market Access system ("EMMA"), notice of the occurrence of any of the following Listed Events with respect to the Notes not later than ten (10) business days after the occurrence of the event: (1) principal and interest payment delinquencies; (2) unscheduled draws on debt service reserves reflecting financial difficulties; (3) unscheduled draws on credit enhancements reflecting financial difficulties; (4) substitution of credit or liquidity providers, or their failure to perform; (5) issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701-TEB); (6) tender offers; (7) defeasances; (8) rating changes; or (9) bankruptcy, insolvency, receivership or similar event of an obligated person, as defined in the Rule. In addition, the Participants have agreed to provide, or cause to be provided, to EMMA notice of the occurrence of any of the following Listed Events with respect to the Notes, if material, no later than ten (10) business days after the occurrence of the event: (i) unless described in (5) above, adverse tax opinions or other material notices or determinations by the Internal Revenue Service with respect to the tax status of its Note and the Note Participations, or other material events affecting the tax status of its Note and the Note Participations; (ii) modifications to rights of Note Participation holders; (iii) optional, unscheduled or contingent Note Participation calls; (iv) release, substitution, or sale of property securing repayment of the Note Participation; (v) non-payment related defaults; (vi) the consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; or (vii) appointment of a successor or additional trustee or the change of name of a trustee.

The undertakings described above and set forth in the respective Trust Agreements may be amended and any provision of such undertakings may be waived, *provided* the following conditions are satisfied: (a) if the amendment or waiver relates to events described in the preceding paragraph, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of any of the Participants or type of business conducted thereby; (b) the undertakings, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel or counsel expert in federal securities laws addressed to the Participants and the Trustee, have complied with the requirements of the Rule at the time of the primary offering of the Note Participations, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; (c) the proposed amendment or waiver either (i) is approved by the Owners in the manner provided in the applicable Trust Agreement for amendments thereto with the consent of Owners, or (ii) does not, in the opinion of the nationally recognized bond counsel or counsel expert in federal securities laws addressed to the Participants and the Trustee, materially impair the interests of Owners or beneficial owners of the Note Participations; and (d) the applicable Participant shall have delivered copies of such opinions and amendment to EMMA.

The Participants' obligations under the applicable Trust Agreement shall terminate upon the defeasance, prior redemption or payment in full of all of the Notes and the Note Participations. The undertakings in the applicable Trust Agreement relating to continuing disclosure shall inure solely to the benefit of the Participants, the Trustee, the Dissemination Agent, the Underwriters and the Owners and beneficial owners, from time to time of the Note Participations, and shall create no rights in any other person or entity.

These covenants have been made in order to assist the Underwriters in complying with the Rule. The County has complied in all material respects in the last five years with each of its previous undertakings with regard to the Rule to provide annual reports or notices of material events. The Series B Participants have complied in all material respects in the last five years with each of its previous undertakings with regard to the Rule to provide annual reports or notices of material events, except as otherwise indicated in Appendix B attached hereto.

Copies of the County's Annual Reports and notices of material event filings are available at Digital Assurance Certification, L.L.C. website, *www.dacbond.com* and filed at the Municipal Securities Rulemaking Board. The information presented there is not incorporated by reference in this Official Statement and should not be relied upon in making an investment decision with respect to the Note Participations.

MISCELLANEOUS

This Official Statement is not to be construed as a contract or agreement between the Participants and the purchasers or Owners of any of the Note Participations. This Official Statement speaks only as of its date, and the information contained herein is subject to change. Neither the County nor the other Participants have entered into any contractual arrangement to provide information on a continuing basis to investors or any other party. Any statements made in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended merely as opinions and not as representations of fact. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in affairs in the Participants since the date hereof. The delivery of this Official Statement has been duly authorized by the Participants.

COUNTY OF SAN DIEGO, on behalf of itself and each District listed in the inside cover page hereof.

By: ____________________
Auditor and Controller

APPENDIX A

COUNTY OF SAN DIEGO FINANCIAL, ECONOMIC AND DEMOGRAPHIC INFORMATION

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APPENDIX A
COUNTY OF SAN DIEGO FINANCIAL, ECONOMIC AND DEMOGRAPHIC INFORMATION

THE COUNTY

General

The County of San Diego (the "County") is the southernmost major metropolitan area in the State of California (the "State"). The County covers 4,261 square miles, extending 75 miles along the Pacific Coast from the Mexican border to Orange County, and inland 75 miles to Imperial County. Riverside and Orange Counties form the northern boundary. The County is approximately the geographic size of the State of Connecticut. The County's Fiscal Year 2012-13 Adopted Operational Plan (the "Fiscal Year 2012-13 Adopted Budget") is approximately $4.85 billion, of which $3.72 billion relates to the County's General Fund budget. The County's Fiscal Year 2013-14 Recommended Operational Plan (defined herein) is approximately $4.97 billion, of which $3.85 billion relates to the County's General Fund budget.

The County was incorporated on February 18, 1850, and functions under a charter adopted in 1933, as subsequently amended from time to time. The County is governed by a five-member Board of Supervisors (the "Board of Supervisors") elected to four-year terms in district nonpartisan elections. The Board of Supervisors appoints the Chief Administrative Officer (the "CAO") and the County Counsel. The CAO appoints the Chief Financial Officer and the Auditor and Controller. Other elected officials include the Assessor/Recorder/County Clerk, the District Attorney, the Sheriff and the Treasurer-Tax Collector.

Many of the County's functions are required under County ordinances or by State or federal mandate. State and federally mandated programs, primarily in the social and health services areas, are directed to be maintained at certain minimum levels, which may, under some conditions, limit the County's ability to control its budget. However, under designated State and federal programs, eligible costs are subject to reimbursement according to specific guidelines.

The County is the delivery system for federal, State and local programs. The County provides a wide range of services to its residents including: (i) regional services such as district attorney, public defender, probation, medical examiner, jails, elections, public health, welfare, mental health, aging and child welfare; (ii) basic local services such as planning, parks, libraries and Sheriff's patrol to the unincorporated area, and law enforcement and libraries by contract to incorporated cities; and (iii) infrastructure such as roads, waste disposal and flood control to the unincorporated area of the County.

County of San Diego Employees

General. Table 1 below sets forth the number of County employees for Fiscal Years 2003-04 through 2012-13:

TABLE 1
TOTAL COUNTY EMPLOYEES[1]

Year	Total Employees
2003-04	16,949
2004-05	16,418
2005-06	16,195
2006-07	16,471
2007-08	16,484
2008-09	16,176
2009-10	15,522
2010-11	15,067
2011-12	15,174
2012-13[2]	15,554

Source: County of San Diego Department of Human Resources.
(1) Excludes temporary employees of the County. Data as of June 30 of the indicated year.
(2) As of May 1, 2013.

County employees are represented by nine unions representing 25 bargaining units. The unions represent approximately 88% of the County's employees and include the Deputy Sheriffs' Association of San Diego County (the "Deputy Sheriffs' Association"); Deputy District Attorneys Association; Service Employees International Union ("SEIU"), Local 221, San Diego Probation Officers' Association; District Attorney Investigators Association; San Diego County Deputy County Counsels Association; Public Defender Association of San Diego County; San Diego County Supervising Probation Officers' Association, and Association of San Diego County Employees. The County has labor agreements with the Deputy Sheriffs' Association effective through June 26, 2014 and all other unions, effective through June 27, 2013. The terms of any expiring agreement will continue to be applied until a new agreement is finalized.

Agreements with all unions, except five bargaining units of SEIU, Local 221 and The Association of San Diego County Employees, include reductions to the County's portion of the employee paid retirement offset, flexible benefit increases, and a one-time salary payment equivalent to 2% of base pay. The County labor agreements for the remaining five bargaining units of SEIU Local include reductions to the County's portion of the employee paid retirement offset, flexible benefit increases, a one-time monetary payment of $750 per employee in Fiscal Year 2011-12 and a one-time monetary payment equivalent to 1% of base pay in Fiscal Year 2012-13. The agreement with The Association of San Diego County Employees includes reductions to the County's portion of the employee paid offset, flexible benefit increases and a one-time monetary payment equivalent to 1.5% of base pay. The County is in the process of negotiating with unions that have agreements expiring in 2013. The remaining employees are unrepresented.

Retirement Amendments. The County's existing retirement system, as described under the caption "San Diego County Employees Retirement Association" herein, was modified in connection with certain collective bargaining agreements entered into by the County. The SEIU Local 221, Deputy District Attorneys Association, Public Defenders Association of San Diego County, San Diego County

Deputy County Counsels Association and the County negotiated amendments to the County's retirement system. A "Tier B" retirement benefit was created for newly hired general employees in all bargaining units effective August 28, 2009. Tier B has a benefit formula described as: 2.62% at 62, highest 3 years final average compensation, minimum retirement age of 55 and a 2% maximum cost of living adjustment ("COLA"). The retirement benefit formula for general employees active prior to the implementation of Tier B (such prior tier being referred to herein as "Tier A") is described as: 3% at 60, highest 1-year final average compensation, minimum retirement age of 50 and a 3% maximum COLA. For new employees represented by the Deputy Sheriffs' Association, San Diego County Supervising Probation Officers' Association, San Diego Probation Officers' Association and the District Attorney Investigators Association, who are classified as safety, Tier B with the following benefit formula was created: 3% at 55, highest 3 years final average compensation, minimum retirement age of 50 and a 2% maximum COLA. The benefit formula for safety employees in Tier A is described as: 3% at age 50, highest 1-year final average compensation, minimum retirement age of 50 and a 3% maximum COLA. Pursuant to State law, exceptions to the aforementioned minimum retirement ages exist for general employees with at least 30 years of service and safety employees with at least 20 years of service.

The County has negotiated amendments to the Employer Offsets (herein defined) for the 11 bargaining units of SEIU Local 221, the Deputy District Attorneys Association, the District Attorney Investigators Association, the Public Defender Association of San Diego County, the San Diego County Deputy County Counsels Association, the San Diego Supervising Probation Officers' Association, the San Diego Probation Officers' Association and the Deputy Sheriffs' Association. Pursuant to the amendments, the Employer Offsets are reduced over two fiscal years with start dates varying from July 1, 2011 to November 18, 2011, based on the applicable bargaining unit. The Employer Offsets rates for Tier I/A employees with more than 5 years of service are reduced by either 2.5% or 4% while the Employer Offsets rates for Tier I/A employees with less than 5 years of service will be reduced by 1.25%, 2% or 2.5%, based on the applicable bargaining unit. The Employer Offsets rates for Tier B employees with more than 5 years of service will be reduced by either 3.5% or 5% while the Employer Offsets rates for Tier B employees with less than 5 years of service will be reduced by 1.75%, 2.5% or 3.5%, based on the applicable bargaining unit. The rate of Employer Offsets, as in effect after the aforementioned reductions, will remain in effect unless modified pursuant to subsequent collective bargaining agreements.

The County has also negotiated a contract with The Association of San Diego County Employees. Pursuant to the contract, the Employer Offsets are reduced over two fiscal years starting November 8, 2011. The Employer Offsets rates for Tier I/A employees with more than 5 years of service are reduced by 2.5% while the Employer Offsets rates for Tier I/A employees with less than 5 years of service are reduced by 1.25%. The Employer Offsets rates for Tier B employees with more than 5 years of service are reduced by 5% while the Employer Offsets rates for Tier B employees with less than 5 years of service are reduced by 1.75%. The rate of Employer Offsets, as in effect after the aforementioned reductions, will remain in effect unless modified pursuant to subsequent collective bargaining agreements.

In July 2012, the Employer Offsets rates for non-safety employees ranged from 1% to 7% of their salary, and the Employer Offsets rates for safety employees ranged from 1% to 11.755% of their salary.

On September 12, 2012, the Governor signed Assembly Bill 340, the California Public Employees' Pension Reform Act ("PEPRA"). PEPRA provisions took effect on January 1, 2013. PEPRA requires the County to impose certain retirement benefit changes for new employees who become new members on or after January 1, 2013. In accordance with PEPRA, the County implemented two new tiers of retirement benefits ("Tier C"). For general employees, Tier C will have a benefit formula described as 2% @ 62. For safety members, Tier C will have a benefit formula described as 2.7% @ 57. The implementation of Tier C is mandated and therefore is not subject to negotiation. However, additional provisions of PEPRA, which allow employers to share some or all of the employers' normal cost and UAAL cost with current employees, are subject to negotiation. For more information on the County's retirement system, see "San Diego County Employees Retirement Association" herein.

COUNTY FINANCIAL INFORMATION

The following is a summary of certain financial information with respect to the County, including the County's property tax collections, General Fund Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance, Adopted and Amended General Fund Budgets for Fiscal Years 2010-11 and 2011-12, the Fiscal Year 2012-13 Adopted Budget, pension plan, risk management program, pending litigation and outstanding indebtedness.

Assessed Valuations

The assessed valuation of property in the County is established by the County Assessor, except for public utility property which is assessed by the State Board of Equalization. Assessed valuations are reported in compliance with the requirements of Proposition 13. Generally, property can only be reappraised to market value upon a change in ownership or completion of new construction. Pursuant to Article XIIIA of the State Constitution, the assessed value of property that has not incurred a change of ownership or new construction shall be adjusted annually to reflect inflation at a rate not to exceed 2% per year as shown in the California consumer price index. In the event of declining property value caused by substantial damage, destruction, economic or other factors, Article XIIIA of the State Constitution allows the assessed value to be reduced temporarily to reflect the lower market value. For the definition of full cash value and more information on property tax limitations and adjustments, see "Constitutional and Statutory Limitations on Taxes, Revenues and Appropriations – Article XIIIA" herein.

The County Assessor determines and enrolls a value for each parcel of taxable real property in the County every year in accordance with Proposition 13. Annually, property owners may appeal the assessed value of their property. Additionally, under the provisions of Proposition 8, property owners may apply for a temporary reduction in the assessed value when the market value of the real property, as of January 1 of the applicable tax year, falls below its assessed value. Once reduced, the County Assessor must annually review the value of the property until the factored Proposition 13 value is fully restored (adjusted with the annual consumer price index, not to exceed 2%). For Fiscal Year 2011-12, the County Assessor received 19,215 appeals, including appeals relating to real property, business personal property, boats and airplanes. Through May 1, 2013 of Fiscal Year 2012-13, the County Assessor has received 14,405 appeals, including appeals relating to real property, business personal property, boats and airplanes. Table 2 below sets forth the number of appeals received by the County Assessor and the number of affected parcels since Fiscal Year 2003-04. See "Economic and Demographic Information – Foreclosures; Notices of Loan Default" herein.

TABLE 2
ASSESSMENT APPEALS
Fiscal Years 2003-04 through 2012-13

Fiscal Year	Appeals[1]	Parcels
2003-04	2,700	3,035
2004-05	2,573	3,932
2005-06	2,486	2,752
2006-07	3,334	3,601
2007-08	13,150	15,872
2008-09	42,624	47,865
2009-10	21,772	26,635
2010-11	15,748	19,589
2011-12	19,215	27,916
2012-13[2]	14,405	16,129

Source: County of San Diego Assessor/Recorder/County Clerk.
(1) Appeal may relate to the reassessment for one or more parcels.
(2) Data as of May 1, 2013.

Ad Valorem Property Taxation

Table 3 below sets forth the assessed valuation of property within the County subject to taxation for Fiscal Years 2003-04 through 2012-13:

TABLE 3
ASSESSED VALUATION OF PROPERTY
SUBJECT TO AD VALOREM TAXATION
Fiscal Years 2003-04 through 2012-13
(In Thousands)

Fiscal Year	Land	Improvements	Personal Property	Gross Assessed Valuation	Exemption[1]	Net Assessed Valuation for Tax Purposes[2]
2003-04	$103,818,122	$145,973,945	$11,949,627	$261,741,694	$6,742,042	$254,999,652
2004-05	117,332,258	159,013,240	11,804,416	288,149,914	7,332,153	280,817,761
2005-06	137,276,347	175,791,219	12,807,092	325,874,658	7,916,172	317,958,485
2006-07	158,460,301	192,889,631	13,201,802	364,551,734	8,553,542	355,998,192
2007-08	176,074,513	208,732,483	13,916,210	398,723,206	9,427,705	389,295,500
2008-09	184,573,765	217,641,565	14,496,587	416,711,917	10,336,971	406,374,945
2009-10	177,035,056	215,309,621	15,194,665	407,539,342	11,244,820	396,294,522
2010-11	173,642,233	214,286,031	14,639,554	402,567,818	11,790,769	390,777,049
2011-12	174,658,242	216,383,122	14,483,422	405,524,786	12,537,490	392,987,296
2012-13	173,840,948	217,588,947	14,693,957	406,123,852	13,165,008	392,958,844

Source: County of San Diego Auditor and Controller.
(1) Exemption figures include veterans, church, welfare, religious, college and cemetery exemptions.
(2) Net Assessed Valuation for Tax Purposes figures include local secured, unsecured manufactured home and possessory interest, state unitary and redevelopment valuation, if any.

Table 4 below sets forth the approximate tax levied against the ten largest property taxpayers in the County for Fiscal Year 2012-13. These tax payments represent approximately 4.70% of the total secured property tax levied by the County for Fiscal Year 2012-13, which amount is $4,559,744,934.

TABLE 4
TEN LARGEST TAXPAYERS
Fiscal Year 2012-13

Property Owners	Business Area	Approximate Tax[(1)]
San Diego Gas & Electric Company	Gas and Electric Utility	$88,731,907
Southern California Edison Co.	Electric Utility	32,836,035
Irvine Co.	Real Estate	16,713,561
Kilroy Realty LLP	Real Estate	14,829,918
Qualcomm Inc.	Telecommunication	14,024,801
Host Hotels and Resorts	Hospitality	13,929,215
Pacific Bell Telephone Company	Telecommunication	10,861,566
B S K Del Partners LLC	Real Estate	8,921,787
O C/S D Holdings LLC	Real Estate	6,791,630
Sunstone Park Lessees LLC	Real Estate	6,675,186

Source: County of San Diego Auditor and Controller.
(1) Approximate Tax includes local secured and state unitary 1% tax, debt service tax and special assessments.

Taxes are levied for each Fiscal Year on taxable real and personal property which is situated in the County as of the preceding January 1. However, upon a change in ownership of property or completion of new construction, State law permits an accelerated recognition and taxation of increases in real property assessed valuation. For assessment and collection purposes, property is classified either as “secured” or “unsecured” and is listed accordingly on separate assessment rolls. The “secured roll” is that assessment roll containing locally assessed property secured by a statutory lien which is sufficient, in the opinion of the assessor, to secure payment of the taxes on land and the improvements located on the land. Other property, such as business personal property, boats and aircraft, is assessed on the “unsecured roll.”

The County levies a 1% property tax on behalf of all taxing agencies in the County. The taxes collected are allocated on the basis of a formula established by State law enacted in 1979. Under this formula, the County and all other taxing entities receive a base year allocation plus an allocation on the basis of growth in situs assessed value (new construction, change of ownership, inflation) prorated among the jurisdictions which serve the tax rate areas within which the growth occurs. Tax rate areas are specifically defined geographic areas which were developed to permit the levying of taxes for less than county-wide or less than city-wide special and school districts. In addition, the County levies and collects additional voter approved debt service and fixed charge assessments on behalf of any taxing agency and special districts within the County.

Property taxes on the secured roll are due in two installments, on November 1 and February 1. If unpaid, such taxes become delinquent after 5:00 p.m. on December 10 and April 10, respectively, and a ten percent penalty attaches. A ten dollar cost also applies to all delinquent second installments. Property on the secured roll with unpaid delinquent taxes is declared tax-defaulted after 5:00 p.m. on June 30th. Such property may thereafter be redeemed by payment of the delinquent taxes, the ten percent delinquency penalty, the ten dollar cost, a thirty-three dollar per parcel redemption fee (from which the State receives five dollars), and redemption penalty of one and one-half percent per month starting July 1 and continuing until date of redemption (collectively, the “Redemption Amount”). If taxes remain unpaid for five years, the property becomes subject to the Treasurer-Tax Collector’s power to sell.

Property taxes on the unsecured roll are due on the lien date being assessed (January 1). A due date, or date to pay by, is set based on the enrollment date of the bill. If not paid in full, a ten percent penalty is added to the bill on September 1, or on the first business day of the second month following the enrollment date and an additional penalty of one and one-half percent per month begins to accrue on November 1, or on the first business day of the third month after the date of enrollment. Penalties are posted based on the type of unsecured bill and the time of year it is enrolled. The taxing authority has a number of ways of collecting delinquent unsecured property taxes, which include: filing a Certificate of Tax Lien for recordation in the County Recorder's office, and/or other jurisdictions; a civil action against the taxpayer; and seizure and/or sale of assets belonging or assessed to the taxpayer.

Pursuant to State Law, the County collects property tax administrative fees from cities and special districts. State law exempts school districts from paying such fees.

Secured Tax Rolls Statistics

Table 5 below sets forth information relating to the County's secured tax roll and assessed value of property for Fiscal Years 2003-04 through 2012-13.

TABLE 5
SECURED TAX ROLL STATISTICS
Fiscal Years 2003-04 through 2012-13

Fiscal Year	Total Bills	Total Gross Assessed Value[1]	Total Tax Amount[2]	Delinquent Tax Bills	Delinquent Tax Amount[3]	Delinquent Tax Amount as Percent of Total Tax Amount
2003-04	898,222	$250,071,362,845	$2,831,188,116	30,244	$ 41,183,548	1.45%
2004-05	912,850	276,651,738,142	3,141,818,961	38,065	49,379,983	1.57
2005-06	934,416	313,592,785,425	3,565,874,923	46,386	70,146,925	1.97
2006-07	954,808	350,431,485,633	3,964,281,859	54,013	111,504,199	2.81
2007-08	968,699	385,014,085,589	4,364,915,835	58,579	163,865,524	3.75
2008-09	976,296	402,408,931,673	4,558,064,753	49,845	165,660,374	3.63
2009-10	978,170	392,680,850,836	4,509,795,774	40,214	120,563,754	2.67
2010-11	979,128	388,209,168,091	4,474,096,680	33,228	80,367,474	1.80
2011-12	979,386	391,319,634,514	4,537,672,296	30,565	65,585,438	1.45
2012-13[4]	981,161	391,853,256,766	4,559,744,934	30,700	65,900,000	1.45

Source: County of San Diego Auditor and Controller.

(1) Total Gross Assessed Value figures include local secured and state unitary valuation.

(2) Total Tax Amount includes local secured and state unitary 1% tax, debt service tax and special assessments.

(3) Delinquent Tax Amount represents the dollar value of tax due for delinquencies in the year shown that had not been collected as of June 30 of that year.

(4) Total Bill, Total Gross Assessed Value and Total Tax Amount figures are actual. Remaining columns are estimated.

Liens and Redemption

Properties may be redeemed under a five-year installment plan by paying current taxes plus a minimum annual payment of twenty percent of the original redemption amount, a payment plan set-up fee of sixty-three dollars, and an annual plan maintenance fee of seventy-one dollars. A delinquent taxpayer may enter into the installment plan at any time up to the June 30 occurring five years after the property becomes tax-defaulted. Redemption interest accrues at one and one half percent per month on the unpaid principal balance of the installment plan redemption amount during the period of the installment plan. The property becomes subject to sale by the County Treasurer-Tax Collector if taxes are unpaid after June 30 of the fifth year of default unless the property is on an installment plan of redemption prior to the power to sell arising.

Financial Statements

Table 6 below sets forth the audited General Fund Balance Sheet for Fiscal Years 2009-10 through 2011-12. Table 7 sets forth the audited General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance for Fiscal Years 2007-08 through 2011-12.

TABLE 6
COUNTY OF SAN DIEGO
GENERAL FUND BALANCE SHEET
For Fiscal Years 2009-10 through 2011-12
(In Thousands)

	Audited 2010[2]	Audited 2011[2]	Audited 2012[2]
ASSETS			
Pooled Cash and Investments	$ 1,121,752	$ 1,286,610	$ 1,321,049
Cash with Fiscal Agents	31	20	109
Investments with Fiscal Agents	2	2	2
Property Taxes Receivables, net	195,499	149,980	135,292
Receivables, net	338,969	465,866	516,727
Due from Other Funds[1]	67,382	34,625	63,218
Prepaid Items	62	48	40
Inventories	9,418	10,187	11,369
Restricted Assets – Cash with Fiscal Agents	146	156	157
Restricted Assets – Lease Receivable	8,454	6,299	5,568
TOTAL ASSETS	$ 1,741,715	$ 1,953,793	$ 2,053,531
LIABILITIES			
Accounts Payable	$ 96,014	$ 101,157	$ 118,055
Accrued Payroll	36,576	39,890	44,996
Due to Other Funds[1]	36,888	36,813	36,162
Deferred Revenues	130,190	128,164	123,144
Unearned Revenue	221,939	253,389	243,327
TOTAL LIABILITIES	$ 521,607	$ 559,413	$ 565,684
FUND BALANCES			
(Audited 2010)[3]			
Reserved Fund Balance:			
Reserved for Loans, Due From Other Funds and Prepaids	$ 6,765	$	$
Reserved for landfill closure costs	927		
Reserved for Inventories	9,418		
Reserved for Other Purposes	145,147		
Unreserved:			
Designated for Encumbrances	267,340		
Designated for Economic Uncertainty	100,000		
Designated for Realignment Health, Mental Health and Social Services	73,729		
Designated for Unforeseen Catastrophic Events	55,500		
Designated for Subsequent Years' Expenditures	66,815		
Designated for landfill postclosure and landfill closure costs	852		
Undesignated	493,615		

(Table continued on subsequent page.)

(Table continued from prior page.)

(Audited 2011, 2012)[3]			
Nonspendable:			
Not in Spendable Form:			
Loans, Due From Other Funds and Prepaids		1,070	1,074
Inventories and deposits with others		10,187	11,369
Restricted for:			
Grantors – Housing Assistance		55,338	54,360
Donations		3,363	2,949
Laws or regulations of other governments:			
Maintenance, operation, acquisition and construction of criminal justice facilities and courthouses		24,411	50,825
Other Purposes		131,844	137,579
Committed to:			
Realignment Health, Mental Health and Social Services		69,297	65,297
Unforeseen Catastrophic Events		55,500	55,500
Capital projects' funding		353,165	339,453
Other Purposes		36,777	54,984
Assigned to:			
Other Purposes		40,614	51,325
Unassigned		612,814	663,132
TOTAL FUND BALANCES	$ 1,220,108	$ 1,394,380	$ 1,487,847
TOTAL LIABILITIES AND FUND BALANCES	$ 1,741,715	$ 1,953,793	$ 2,053,531

Source: County of San Diego Auditor and Controller.

(1) Amounts are receivables and payables between General Fund and other County funds based on actual or estimated claims outstanding.

(2) To conform with Governmental Accounting Standards Board (GASB) Statements 33 and 34, activities from various Internal Agency Funds are included in the General Fund.

(3) In Fiscal Year 2010-11, the County implemented GASB Statement 54 entitled "Fund Balance Reporting and Governmental Fund Type Definitions" ("GASB 54") establishing fund balance classifications that comprise a hierarchy based primarily on the extent to which the County is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Implementation of GASB 54 resulted in the above changes in the presentation of the General Fund's fund balance between Fiscal Year 2009-10 and Fiscal Year 2010-11.

TABLE 7
COUNTY OF SAN DIEGO
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
For Fiscal Years 2007-08 through 2011-12
(In Thousands)

	Audited 2007-08	Audited 2008-09	Audited 2009-10	Audited 2010-11	Audited 2011-12
Revenues:					
Taxes	$ 928,066	$ 930,584	$ 904,515	$ 894,222	$ 925,861
Licenses, Permits and Franchise Fees	34,735	35,838	40,967	42,643	42,552
Fines, Forfeitures and Penalties	59,782	56,252	53,996	51,826	50,905
Revenue From Use of Money and Property	48,381	28,396	23,171	24,479	17,099
Aid From Other Governmental Agencies:					
State	849,783	878,902	814,553	904,749	958,169
Federal	792,430	729,675	824,821	818,217	831,859
Other	71,663	134,026	91,478	57,874	65,542
Charges for Current Services	267,624	282,151	277,252	320,966	336,057
Other	30,705	61,847	33,757	51,542	54,161
Total Revenues	$ 3,083,169	$ 3,137,671	$ 3,064,510	$ 3,166,518	$ 3,282,205
Expenditures:					
Current:					
General Government	$ 270,236	$ 236,874	$ 197,124	$ 209,293	$ 203,179
Public Protection	1,135,288	1,126,903	1,055,315	1,079,836	1,140,718
Public Ways and Facilities	5,907	690	10,063	5,543	1,300
Health and Sanitation	593,104	630,633	635,148	671,276	735,916
Public Assistance	987,730	1,039,496	1,034,340	1,055,530	1,034,961
Education	1,101	808	906	957	844
Recreation and Cultural	29,606	29,274	28,102	30,637	31,175
Capital Outlay	11,453	8,059	27,184	21,965	33,249
Debt service:					
Principal(1)	0	32,125	28,777	26,735	23,200
Interest	5,169	12,255	17,025	15,044	17,308
Payment to Refunded Bond Escrow Agent	0	0	4,436	0	0
Total Expenditures	$ 3,039,594	$ 3,117,117	$ 3,038,420	$ 3,116,816	$ 3,221,850
Excess (Deficiency) of Revenues over (under) Expenditures	$ 43,575	$ 20,554	$ 26,090	$ 49,702	$ 60,355
Other Financing Sources (Uses):					
Sale of Capital Assets	$ 41	$ 29	$ 338	$ 414	$ 360
Refunding Bonds Issued(2)	0	443,515	0	0	0
Payment to Escrow Agent/Refunded Bond(2)	0	(441,038)	0	0	0
Transfers In(3)	257,890	230,296	226,039	274,448	244,148
Transfers Out(4)	(236,400)	(285,232)	(223,042)	(151,061)	(212,578)
Total Other Financing Sources (Uses)	$ 21,531	$ (52,430)	$ 3,335	$ 123,801	$ 31,930
Net Change in Fund Balance	$ 65,106	$ (31,876)	$ 29,425	$ 173,503	$ 92,285
Fund Balances at Beginning of Year	1,155,082	1,220,466	1,190,038	1,220,108	1,394,380
Increase (Decrease) in Reserve for Inventories	278	1,448	645	0	0
Increase (Decrease) in Nonspendable Inventories				769	1,182
Fund Balances at End of Year	$ 1,220,466	$ 1,190,038	$ 1,220,108	$ 1,394,380	$ 1,487,847

Source: Comprehensive Annual Financial Reports of the County.
(Table continued on subsequent page.)

(Table continued from prior page.)

(1) Represents various base rental payments made to the San Diego County Capital Asset Leasing Corporation ("SANCAL") and the San Diego Regional Building Authority ("SDRBA") treated as debt service payments in the General Fund as SANCAL and the SDRBA are blended component units of the County. Prior to Fiscal Year 2008-09, the base rental payments to SANCAL were treated as "Transfers Out" as noted in the "Transfers Out" note below, and base rental payments to the SDRBA were treated as General Government expenditures.

(2) In Fiscal Year 2008-09, the County issued $443.515 million Series 2008 Taxable Pension Obligation Bonds. As part of this transaction, $441.038 million was transferred to an escrow agent to advance refund the outstanding 2002B Bonds, Subseries B1 and B2-4 Auction Rate Securities and to pay future interest payments. The transaction is further described in Note 13 "Long-Term Debt" in the Notes to the Financial Statements of the County's Comprehensive Annual Financial Report For the Fiscal Year Ended June 30, 2009.

(3) Revenues from the Public Safety Augmentation Sales Tax (Proposition 172) and the tobacco securitization proceeds are recognized in the Special Revenue funds and treated as operating transfers when moved to the General Fund to reimburse expenditures incurred.

(4) For all fiscal years presented, "Transfers Out" generally represents contributions to the Pension Obligation Bond fund; contributions to capital funds for General Fund projects; and, County contributions to the Library fund and the In-Home Supportive Services ("IHSS") Public Authority fund. "Transfers Out" for Fiscal Year 2007-08 also represents annual base rental payments to SANCAL.

General Fund Budget

The Board of Supervisors is required by State law to adopt a balanced annual budget no later than October 2 of each year. The County General Fund finances the legally authorized activities of the County not provided for in other restricted funds. General Fund revenues are derived from such sources as taxes, licenses, permits and franchises, fines, forfeitures and penalties, use of money and property, aid from other governmental agencies, charges for current services and other revenue. General Fund expenditures and encumbrances are classified by the functions of public safety, health and human services, land use and environment, community services, finance and general government and other. Increases in the aggregate appropriations based on actual or anticipated increases in available financing can be made after the annual budget has been adopted upon approval by a four-fifths vote of the Board of Supervisors.

To ensure that the expenditures do not exceed authorized levels or available financing sources, quarterly reviews are conducted covering actual and projected receipts and expenditures. In the event of any shortfall in projected revenue, immediate steps are taken to mitigate the shortfall through the identification of alternative funding sources or freezing appropriations. Similarly, if expenditures are projected to exceed appropriations, steps are taken to freeze expenditures in other accounts within the affected department or to transfer available resources to offset the added expenditure requirement. California counties are not permitted by State law to impose fees to raise general revenue, but only to recover the costs of regulation or provision of services. The Chief Financial Officer is responsible for monitoring and reporting expenditures within budgeted appropriations.

Fiscal Year 2012-13 Budget and Financial Position of the County

The Fiscal Year 2012-13 Adopted Budget for the County's General Fund included expenditures of approximately $3.72 billion and revenues and other financing sources of approximately $3.72 billion. In accordance with the normal practice of the County, the Fiscal Year 2012-13 Adopted Budget has been adjusted to reflect carry-over appropriations from the prior fiscal year and program needs not included in the Fiscal Year 2012-13 Adopted Budget. As of March 31, 2013, the County's Fiscal Year 2012-13 General Fund Amended Budget (the "Fiscal Year 2012-13 Amended Budget") included expenditures of $4.2 billion and revenues and other financing sources of $4.2 billion. As of March 31, 2013, as reported in the Fiscal Year 2012-13 Third Quarter Operational Plan Status Report and Budget Adjustments (the "Third Quarter Report") to be presented to the Board of Supervisors on May 7, 2013, based on the first nine months of Fiscal Year 2012-13, the County projected that its General Fund expenditures for Fiscal Year 2012-13 would be below the Fiscal Year 2012-13 Amended Budget by $246.6 million and its

General Fund revenues and other financing sources would be below the Fiscal Year 2012-13 Amended Budget by $55.4 million. The net variance was a projected savings to the County's General Fund of $191.2 million, which would be added to any remaining unreserved and undesignated General Fund Balance as of June 30, 2013. See also "– Status of Available Fund Balance" below.

The lower than budgeted projected expenditures in the General Fund are primarily attributable to the following:

- $56.8 million in net positive salary and benefit appropriation variance, due to staff turnover and department management of vacancies in all five business groups of the County: predominantly in the Public Safety Group ("PSG"), Health and Human Services Agency ("HHSA"), and Land Use and Environment Group ("LUEG"), and some in Community Services Group ("CSG"), and Finance and General Government Group ("FGG").

- $82.2 million in net positive appropriation variance in services and supplies across the County.

  - In PSG, a positive variance is anticipated in the Probation Department as a result of efforts made to reduce overall expenditures as well as savings from a case management system enhancement project and from contracted services related to Public Safety Realignment pending the full implementation of certain substance abuse and mental health treatment services; in the Public Safety Group Executive Office San Diego County Fire Authority due to a spending delay for the tree removal grant; in the Sheriff's Department due to a positive appropriation variance in the vehicle lease, medical contracts, and various services and supplies; in the Department of Child Support Services for reductions in lease and contract expenses; and in the District Attorney for delays in one-time information technology purchases.

  - In HHSA, a projected net positive variance includes various contracted services (*e.g.*, in Behavioral Health Services related to un-awarded Mental Health Services Act, Alcohol and Drug Services contracts, Medi-Cal and San Diego County Office of Education contracts, Public Safety Realignment, California Department of Corrections and Rehabilitation (CDCR) and Narcotic Treatment Program (NTP) services; lower than estimated growth in In-Home Supportive Services (IHSS) Individual Provider costs; due a positive appropriation variance in contracts for Community Transformation Grant (CTG). A negative variance in Strategic Planning and Operational Support due to increases in Low Income Health Program (LIHP) enrollees is partially offset by a positive appropriation variance in welfare-to-work and refugee services and a positive appropriation variance in non-contract services and supplies. Additional negative variances are associated with Inpatient Health Services expenses for temporary contract help and in Child Welfare Services associated with contract and transportation costs for clients and staff.

  - In LUEG, positive variances include a positive appropriation variance in the Department of Environmental Health due to delays in implementation of the Vector Habitat Remediation Program and the East Otay Mesa Recycling Collection Center and Landfill as well and a positive appropriation variance related to the delay of one-time projects which will be rebudgeted in the Fiscal Year 2013-15 Recommended Operational in the Department of Planning and Development Services and in the Department of Public Works.

  - In CSG, a positive variance in Housing and Community Development is anticipated due to the postponement of the data automation projects, under-spending in information technology application upgrades and managing discretionary expenses as well as from lower than anticipated expenditures on multi-year projects; and in the Registrar of Voters due to lower than expected costs related to the November 6, 2012 Presidential Election and the delay in implementation of information technology projects.

- o In FGG, projected positive variances are spread across several departments, including Human Resources, the County Communication Office and Auditor and Controller. The most material positive variance is in Human Resources and is due primarily to a positive appropriation variance in insurance costs while in other departments positive appropriation variances resulted from reduced office expenses.

- A net positive appropriation variance of $56.1 million in other charges reflects net variances from budgeted caseload and aid payments. There is a positive variance in Regional Operations, mainly the result of revised caseload levels in CalWORKS and Child Care Stage 1, as well as a positive variance in Child Welfare Services based on revised estimates of caseload levels, growth trends, and unit cost per case in aid payments for Foster Care and Aid to Adoptive Parents. Spending is projected to exceed budget in Behavioral Health Services due to an increase of State Hospital rates set by the State of California and in Public Health Services because of a requirement for additional support and care costs in the California Children's Services (CCS) and TB Control programs. In CSG, a positive variance is projected in Housing and Community Development due to lower than anticipated expenditures on multi-year projects. In addition, a positive appropriation variance is due to lower than anticipated tax and revenue anticipation note borrowing costs.

- A positive appropriation variance of $1.3 million in Capital Assets Equipment for fixed assets is associated with delays in one-time information technology expenses District Attorney's office.

- $11.0 million in appropriation savings for operating transfers out in HHSA for the IHSS Public Authority related salary and benefit costs being less than budgeted; a positive appropriation variance in Purchasing and Contracting due to a delay in IT projects implementation, and a positive appropriation variance in Contributions to General Services Internal Service Fund.

- $20.0 million in contingency reserves that are projected to be unspent at year-end.

- $23.3 million in management reserves in HHSA ($20.0 million) and in CSG ($3.3 million) that are projected to be unspent at year-end.

The projected revenue under-realization to budget of $55.4 million includes negative variances totaling $68.0 million in various funding sources, with partially offsetting positive variances of $12.6 million. Of the $68.0 million in negative variances, a net $63.6 million is within intergovernmental revenues and is largely the result of positive expenditure variances in caseload driven programs and contracted services mentioned above. The remaining negative variances reflect the combination of unrealized revenue due to operational variances and various revenue shortfalls in fines, forfeitures and penalties ($3.2 million), a projected decrease in Teeter revenue reflected in taxes other than current secured ($0.5 million), a decrease in licenses, permits and franchises ($0.4 million) and other financing sources ($0.2 million).

A positive revenue variance of $12.6 million is expected in the following categories: taxes current property ($5.7 million); revenue from use of money and property ($2.1 million); charges for current services ($2.8 million); and miscellaneous revenues ($2.0 million).

Table 8 below sets forth the County's Adopted and final Amended Budgets for Fiscal Year 2011-12. The table also sets forth the Adopted Budget for Fiscal Year 2012-13, the Amended Budget as of March 31, 2013, the projected expenditures and revenues and other financing sources as reported in the Third Quarter Report, and the variance between the projected actual amounts and those contained in the Fiscal Year 2012-13 Amended Budget. The full report may be viewed on the County's website at http://www.sdcounty.ca.gov/auditor/qfbr.html. The information on such website is not incorporated herein by reference. The table also sets for the General Fund CAO Recommended Operational Plan Budget for Fiscal Year 2013-14.

TABLE 8
GENERAL FUND
ADOPTED AND AMENDED BUDGET FOR FISCAL YEAR 2011-12,
ADOPTED AND AMENDED BUDGET AND PROJECTED RESULTS FOR
FISCAL YEAR 2012-13 AND RECOMMENDED BUDGET FOR FISCAL YEAR 2013-14
(In Thousands)

	2011-12 Adopted Budget	2011-12 Amended Budget[1]	2012-13 Adopted Budget	2012-13 Amended Budget[4]	Projected Year-End Results[2]	Variance from Amended Budget[3]	2013-14 Recommended Budget[5]
APPROPRIATIONS							
Public Safety	$1,174,041	$1,237,290	$ 1,223,862	$ 1,265,974	$1,219,620	$46,354	$1,279,245
Health and Human Services	1,883,650	1,903,308	1,891,276	1,917,434	1,824,063	93,371	1,959,450
Land Use and Environment	154,705	166,534	145,933	157,306	139,013	18,293	158,041
Community Services	77,887	95,538	75,775	85,496	68,560	16,936	67,888
Finance and General Government and Other	414,206	799,891	360,097	733,225	681,579	51,646	360,517
Contingency Reserve and Designations Increases	0	0	0	0	0	0	
Contingency Reserve and Increases in Fund Balance Commitments	38,320	38,320	21,961	21,961	1,961	20,000	20,328
Total Appropriations[3]	$3,742,809	$4,240,881	$ 3,718,904	$ 4,181,398	$3, 934,796	$ 246,600	$3,845,471
BUDGETED REVENUES							
Current Property Taxes	$ 505,814	$505,814	$ 510,491	$ 510,491	$ 516,220	$ 5,729	$ 523,615
Taxes Other Than Current Property Taxes	381,647	381,647	383,772	383,772	383,261	(511)	382,956
Licenses, Permits and Franchises	41,618	41,618	41,563	41,563	41,166	(397)	42,297
Fines, Forfeitures and Penalties	52,057	56,393	52,005	54,022	50,812	(3,210)	50,182
Use of Money and Property	17,691	17,691	13,903	13,903	15,962	2,059	12,045
Aid from Other Government Agencies	1,970,464	2,039,899	2,016,098	2,064,722	2,001,092	(63,630)	2,097,482
Charges for Current Services	290,358	291,830	289,942	292,909	295,664	2,755	305,188
Miscellaneous Revenues and Other Financing Sources	267,202	278,431	296,114	298,092	299,944	1,852	299,939
Total Budgeted Revenues[3]	$3,526,851	$3,613,323	$ 3,603,888	$3,659,474	$3,604,121	$ (55,353)	$3,713,704
Estimated Use of Committed Fund Balance	$ 5,893	$ 5,893	$ 544	$ 544	$544		811
Estimated Use of Unassigned Fund Balance	210,065	209, 600	114,472	114,472	114,472		130,956
Estimated Use of Fund Balance for Encumbrances	0	412,065	0	403,636	403,636		
Total Resources Utilized[3]	$3,742,809	$4,240,881	$ 3,718,904	$ 4,181,398	$4,122,773	$ (55,353)	$ 3,845,471
Net savings from the Fiscal Year 2012-13 Amended Budget						$ 191,247	

Source: County of San Diego Auditor and Controller.
(Table continued on subsequent page.)

(Table continued from prior page.)

(1) Reflects appropriations, budgeted revenues and other financing sources included in the 2011-12 Adopted Budget as amended and adjusted to include all budgeted appropriations and revenues as of June 30, 2012.

(2) Reflects, as of March 31, 2013, the amended budget and projections of the expenditures and revenues of the County's General Fund for Fiscal Year 2012-13.

(3) Reflects, as currently projected, the difference between the budgeted expenditures, revenues and other financing sources of the County's General Fund in the Fiscal Year 2012-13 Amended Budget as of March 31, 2013 and the projected expenditures, revenues and other financing sources of the County's General Fund for Fiscal Year 2012-13. Amounts without parentheses indicate a variance favorable to the County's General Fund. Amounts with parentheses indicate a variance unfavorable to the County's General Fund.

(4) Reflects carry over appropriations from the prior fiscal year.

(5) Reflects appropriations, revenues and other financing sources included in the 2013-14 Recommended Budget.

Status of Available Fund Balance

The unassigned portion of the General Fund Balance as of June 30, 2012 was $663.1 million. See Table 6 entitled "General Fund Balance Sheet" herein for a description of the fund balance of the General Fund for the Fiscal Years ending June 30, 2010, June 30, 2011 and June 30, 2012 respectively. Included in the Fiscal Year 2012-13 Adopted Budget were appropriations based on unassigned General Fund Balance of approximately $114.5 million. Accordingly, the available unassigned portion of the General Fund Balance was reduced to $548.6 million.

Subsequently, the Board of Supervisors approved the appropriation of an additional $2.3 million in unassigned General Fund Balance for the CAC Waterfront Park, which reduced the available unassigned portion of General Fund fund balance to $546.3 million.

Pursuant to the First Quarter Operational Plan Status Report and Budget Adjustments (the "First Quarter Report"), which is based on the first three months of Fiscal Year 2012-13, an additional $3.4 million in unassigned General Fund Balance was approved to be used for various items, including appropriations of $0.1 million in Sheriff's Department for expansion of City of Solana Beach radio coverage and for Regional Communication System's new tower at Alpine Heights; $1.6 million to increase the Environmental Health fund balance commitment; $0.2 million in the Department of Animal Services for major maintenance projects at the Bonita animal shelter; $0.5 million for version 6.5 Documentum upgrade rebudget; $0.8 million for various services and supplies and one-time expenses in the Districts; and $0.1 million in the Clerk of the Board of Supervisors for the purchase and installation of an automated data entry and tracking system of the annual Statement of Economic and Interest (Form 700).

In the Second Quarter Operational Plan Status Report and Budget Adjustments, no additional appropriations were proposed to be appropriated using General Fund Balance.

In the Third Quarter Report, an additional $1.3 million are proposed to be appropriated using unassigned General Fund fund balance for continuation of a major maintenance project in Treasurer-Tax Collector, for implementation costs associated with the Oracle Identity and Access Management ("IDAM") system and for Grand Jury transcript and jury expenses. The result of these anticipated adjustments reduced the available unassigned fund balance to $541.6 million.

If there were no further uses of fund balance for the remainder of the year and the projected $191.3 million in net savings in the 2012-13 budget (as shown in Table 8) were to be realized, the unassigned General Fund Balance as of June 30, 2013 would be $732.9 million. The County makes no assurances that no further use of available fund balance will occur. See "Fund Balance and Reserves Policy" below.

The County's General Fund Balance projections are subject to change as additional information becomes available. The County does not prepare any formal update of its General Fund Balance projections after the third quarter. The next formal update of the County's General Fund Balance will occur in connection with the audit of the basic financial statements of the County for the Fiscal Year ending June 30, 2013, which is expected to be completed by December 31, 2013.

County's Fiscal Year 2013-14 Recommended Budget and the Operational Plan

Recommended Operational Plan

The County annually prepares a two-year operational plan, the most recent of which was received by the County's Board on May 7, 2013 (the "Recommended Operational Plan"). The first year of the Recommended Operational Plan is the Fiscal Year 2013-14 Recommended Budget and the second year represents an estimate of the revenues and expenditures of the County for Fiscal Year 2014-15. The Operational Plan reflects the budgets for all funds within which the County accounts for the services it provides to its residents and property and business owners. The largest single fund is the General Fund, which accounts for the majority of the County's activities.

The County's Recommended Budget for the County General Fund for Fiscal Year 2013-14 is approximately $3.85 billion, with Total Appropriations of approximately $3.85 billion, Total Revenues of approximately $3.71 billion, and total estimated use of the Fund Balance Component Decreases and Use of Fund Balance of approximately $0.81 million and $130.96 million, respectively. See Table 8 entitled "GENERAL FUND ADOPTED AND AMENDED BUDGET FOR FISCAL YEAR 2011-12, AND ADOPTED AND AMENDED BUDGET AND PROJECTED RESULTS FOR FISCAL YEAR 2012-13 AND RECOMMENDED BUDGET FOR FISCAL YEAR 2013-14" herein for a summary of the County's 2013-14 Recommended Budget. The Recommended Operational Plan is available on the County's website at http://www.sdcounty.ca.gov/auditor/budinfo.html, but is not incorporated herein by reference.

Summary of General Fund Financing Sources

In the Recommended Operational Plan, General Fund Financing Sources total $3.85 billion for Fiscal Year 2013-14, a $126.6 million or 3.4% increase from Fiscal Year 2012-13. They are expected to decrease by $82.7 million or 2.2% in Fiscal Year 2014-15. In comparison, the Fiscal Year 2012-13 Adopted Budget was 0.6% lower than the prior year, while the previous ten fiscal years saw an average annual growth rate of 3.3%. General Fund Financing Sources can be categorized as one of three types: Program Revenue, General Purpose Revenue, or Use of Fund Balance (including Fund Balance Component Decreases – formerly Reserves/Designation Decreases).

Program Revenues. Program Revenues are expected to total approximately $2.74 billion in Fiscal Year 2013-14 and $2.71 billion in Fiscal Year 2014-15. These revenues make up 71.1% of General Fund Financing Sources in Fiscal Year 2013-14, and are derived primarily from State and federal subventions and grants, and charges and fees earned from specific programs. Program Revenues are expected to increase by 3.8% over the Fiscal Year 2012-13 Adopted Budget compared to an average annual growth for the last ten years of 3.3%.

General Purpose Revenue. General Purpose Revenue, budgeted at approximately $978.0 million in Fiscal Year 2013-14 and $986.1 million in Fiscal Year 2014-15, comprise approximately 25.4% of General Fund Financing Sources. This revenue is derived from property taxes, property tax in lieu of Vehicle License Fees ("VLF"), the Teeter program, sales and use tax (and property tax in lieu of sales tax), real property transfer tax, Aid from Redevelopment Successor Agencies, and miscellaneous other sources. They may be used for any purpose that is a legal expenditure of County funds. The Board of

Supervisors, therefore, has the greatest flexibility with this revenue when allocating resources to fund programs and services.

The growth in this revenue is principally affected by the local and State economies, with over 85% of General Purpose Revenue tied to activity in the real estate market. From Fiscal Year 2001-02 through Fiscal Year 2011-12, General Purpose Revenue grew by an annual average of $38.6 million. Fiscal Year 2012-13 saw an increase in budgeted General Purpose Revenue of $2.7 million.

For Fiscal Year 2013-14, the $978.0 million budgeted for General Purpose Revenue is an increase of $10.9 million from the Fiscal Year 2012-13 budgeted amount of $967.1 million. The assessed value of real property declined in 2009 and 2010 (following the credit crisis and economic downturn that began in 2007), grew marginally in 2011, and declined slightly in 2012. For 2013, a 1% projected increase in overall assessed value of real property is projected.

Use of Fund Balance. Use of Fund Balance, including Fund Balance Component Decreases totals approximately $131.8 million in Fiscal Year 2013-14 and $64.2 million in Fiscal Year 2014-15. It represents 3.4% of General Fund Financing Sources in Fiscal Year 2013-14. This resource is used for one-time expenses, not for the support of ongoing operations. This compares with $115.0 million in uses of fund balance in the Fiscal Year 2012-13 Adopted Budget, which equaled 3.1% of total General Fund Financing Sources.

In the Recommended Operational Plan, a portion of the unreserved General Fund fund balance is budgeted as the funding source for various one-time or project specific purposes such as: management reserves, one-time major maintenance, women's detention facility startup costs for furniture, vehicles and equipment, support for temporary recruitment activities associated with Assembly Bill (AB) 109, Public Safety Realignment, Medical Examiner equipment replacement, Fire Protection and Emergency Medical services grant program for one-time capital needs for volunteer fire protection districts, Aerial Fire Suppression "Call When Needed" support, radio communication equipment for the Probation department, defense of special circumstance cases rebudget, San Diego County Fire Authority training academy, graduate law clerks and temporary staff for the Public Defender, Public Defender support for the remaining term of certain lease costs associated with the discontinued contract for Family Dependency Services, San Diego County Fire Authority equipment replacement commitment, acquisition of a reserve fire engine, and one-time funding for increased volunteer fire station equipment, fuel and contract costs and various program prevention and response activities.

Other uses include: relocation efforts related to the County Operations Center capital project, Health and Human Services Juvenile Diversion Program support, Health and Human Services reserves to mitigate State budget uncertainties, Grand Avenue clinic sale proceeds commitment for Public Health, Health and Human Services one-time train the trainer courses to train staff and community members in leadership and community planning skills to assist with assessing, selecting and implementing improvement projects, one-time resources to host a Grandparents Raising Grandchildren symposium, one-time cultural consultant services to enhance child safety and family stability in the Child Welfare system, Health and Human Services technological advancements to support *Live Well! San Diego*, vehicle purchases to meet agricultural water quality inspection requirements, development of an onsite wastewater treatment program in compliance with Assembly Bill (AB) 885 rebudget, Tribal liaison consultant and support rebudget, Firestorm 2007 rebuilding permit fee waiver rebudget, Environmental Health support for beach water quality monitoring rebudget, Green Building Program and Homeowner Relief Act Fee Waivers, Multiple Species Conservation Program (MSCP) (North) Resource Management Plans to protect biological and cultural resources, Land Use rebudgets for Purchase of Agriculture Conservation Easements (PACE) program support, zoning ordinance update, Greenhouse Gas Guidelines Phase I, and Code Enforcement abatements, Public Works rebudgets for Integrated Regional Water

Management data management system grant match, Residential Integrated Pest Management program, and Proctor Valley Road closure, Land Use General Plan amendments for property-specific requests, Land Use continuous improvement program, customer service and cultural awareness training, one-time Environmental Trust Fund maintenance projects, sand and sandbag distribution for pre-storm preparation, Land Development reorganization, one-time Countywide water efficiency projects, Smart Building retrofits, Registrar of Voters unemployment insurance, and Housing and Community Development funding for sequestration cutbacks to allow orderly transition to changed service delivery and redevelopment housing Successor Agency transition activities.

Various information technology projects, such as: Business Process Re-engineering initiatives, Probation Case Management System, digitizing records and one-time information technology projects in the District Attorney's Office, Probation department electronic medical records management, Health and Human Services Agency pre-hospital information system assessment, Public Health Lab information management system, Business Case Management System (Accela) – rebudget for continued implementation, user acceptance testing, reporting tools, and training, Data Imaging Project rebudget, geographic information system ("GIS") infrastructure upgrade, Parcel Genealogy, Business Intelligence Phase III, Asset Management application rebudgets, Qmatic System Upgrade – Customer Routing in Land Development Process, Documentum upgrade and recording for Environmental Health, electronic document submittal/review automation for Planning and Development Services rebudget, Justice electronic library system scanning, storage and devices, Public GIS server rebuild, mobile applications and web portal design, building information modeling system – software and hardware, training, consultant, input into T9 facilities system of record, public web site redesign, enterprise signatures and approval architecture, and DocVault implementation, QBIS upgrade/replacement, Fusion middleware application, T360 enhancements due to legacy system retirement, OBI data warehouse upgrade, SharePoint platform upgrade, parallel Documentum environment, Documentum environment licenses, Constituent Relationship management platform upgrade and application implementation, payment processing system imaging upgrade, eGov application development, automate employee contributions to health savings accounts, Peoplesoft application upgrade, Kronos application upgrade, Oracle IDAM license final payment, poll worker internet site, Learning Management System Database Upgrade and Enterprise Resource Planning disaster recovery project and data services.

Still further uses include: Housing and Community Development temporary help for contract monitoring activities, upgrade of audio-visual systems in two conference rooms at Housing and Community Development, Parks condition assessments, minor equipment tracking requirements study, completion of County Administration Center asbestos abatement and lighting upgrades, instructor certifications for employee development, training room equipment, and contracting assistance costs, management intern program, County Administration Center Memorandum of Agreement adjustments, Workforce Academy for Youth program, grants provided to community organizations and capital projects including the Assessor/Recorder/County Clerk El Cajon Branch Office Building.

Summary of Total Appropriations in the Recommended Operational Plan

The Recommended Operational Plan includes appropriations totaling $4.97 billion for Fiscal Year 2013-14 and $4.81 billion for Fiscal Year 2014-15. This is an increase of $122.0 million or 2.5% for Fiscal Year 2013-14 from the Fiscal Year 2012-13 Adopted Budget. Appropriations for the General Fund are $3.85 billion, a $126.6 million or 3.4% increase from Fiscal Year 2012-13. The General Fund constitutes 77.5% of the County's total appropriations. Further, the Fiscal Year 2013-14 Recommended Operational Plan reflects a staffing increase of 590.25 full time equivalents ("FTEs"). This is comprised of 633.25 FTE increase in the General Fund and 43.00 FTE decrease in other funds. This will increase budgeted FTEs for the County from 16,010.75 in Fiscal Year 2012-13 to 16,601.00 in Fiscal Year 2013-14.

The Recommended Operational Plan by Group/Agency includes decreased appropriations in the Community Services, Capital Program, and Finance Other, while they are increasing in Land Use and Environment, Finance and General Government, Public Safety, and HHSA. HHSA, at $1.99 billion, continues to constitute the largest share of the budget at 40.9%, followed by the Public Safety Group at $1.5 billion, or 30.9%.

The appropriation and staffing changes by Group/Agency are summarized below.

Public Safety Group – includes a recommended net increase of 4.4% or $64.4 million from the Fiscal Year 2012-13 Adopted Budget and a net increase of 283.00 staff years. The increase primarily relates to increases in County retirement contributions, phased hiring and training of detention staff and the partial year operation of the Women's Detention Facility, additional service requirements due to the transfer of responsibilities for offenders from the State to the counties, growth in Proposition 172, *Local Public Safety Protection and Improvement Act of 1993*, funding and the planned use of one-time resources. Reductions in State funding and fine and forfeiture revenue are recognized. All mandated services are maintained.

Health and Human Services Agency – includes a recommended net increase of 3.6% or $68.5 million from the Fiscal Year 2012-13 Adopted Budget and a net increase of 307.25 staff years. The increase relates to an increase in staff years as well as to previously negotiated increases in wage and benefit costs, increased County retirement contributions, and costs associated with contracted services and client payments. Reductions in funding and caseloads are also recognized.

Land Use and Environment Group – includes a recommended net increase of 1.6% or $6.2 million from Fiscal Year 2012-13 Adopted Budget and a decrease of 5.00 staff years. Significant increases are in: one-time funding for inactive waste site projects; increases in various capital improvement projects, equipment maintenance in the San Diego County Sanitation District; one-time costs for information technology and business process reengineering projects and the addition of staff years to meet operational needs related to additional regulatory responsibilities.

Community Services Group – includes a recommended net decrease of 1.7% or $5.1 million from the Fiscal Year 2012-13 Adopted Budget and a increase of 2.00 staff years. The decrease is due to non-recurring one-time prior year expenditures, federal HOME funding for project costs and State CalHome funding for residential rehabilitation loans. Offsetting increases include increases in wages and benefits that reflect previously negotiated labor agreements and increases in County retirement contributions, increased books and materials in the County Library, an overall increase in utility costs due to an increased number of County facilities, and higher costs for contracted and routine maintenance services in County facilities

Finance and General Government Group – includes a recommended net increase of 13.5% or $46.0 million from the Fiscal Year 2012-13 Adopted Budget and an increase of 3.00 staff years. The increase is due primarily to Countywide information technology (IT) projects and support as well as increased County retirement contributions.

Capital Program – includes a recommended net decrease of 38.6% or $36.4 million from the Fiscal Year 2012-13 Adopted Budget. The amount budgeted in the Capital Program for Capital Projects can vary significantly from year to year. The Fiscal Year 2013-14 Capital Program includes the following capital projects:

- $10.0 million for the Multiple Species Conservation Program (MSCP);
- $9.8 million for the Alpine Library;

- $8.4 million for the Imperial Beach Library;
- $7.5 million for the Assessor/Recorder/County Clerk (ARCC) El Cajon Branch Office Building;
- $3.1 million for San Luis Rey River Park Acquisition;
- $2.5 million for the 4S Ranch Synthetic Turf South Ball Fields;
- $2.0 million for the Lake Morena Electrical Upgrade;
- $1.9 million for Tijuana River Valley Trails Construction/Habitat Restoration;
- $1.8 million for the San Elijo Gateway Property Acquisition; and
- $1.0 million for the San Diego Botanic Garden Expansion.

The Capital Program also includes $9.8 million for the Edgemoor Development Fund to pay debt service on the 2005 and 2006 Edgemoor Certificates of Participation and other costs to improve the Edgemoor property.

Finance Other – includes a recommended net decrease of 6.9% or $21.6 million from the Fiscal Year 2012-13 Adopted Budget. Many of the appropriations in this group vary little from year to year, but some appropriations reported here are one-time and can fluctuate significantly. In the Fiscal Year 2013-14 Recommended Budget, the General Fund contribution to the Capital Program continues to include appropriations for MSCP of $10.0 million, for a new Alpine Library of $9.8 million, for a new Imperial Beach Library and to improve the connectivity with the Imperial Beach Community Center of $8.4 million, for the Lake Morena Electrical Upgrade of $2.0 million, for acquisition related to the San Luis Rey River Park of $3.1 million, for the Assessor/Recorder/County Clerk (ARCC) El Cajon Branch Office Building to replace the existing facility of $5.0 million, for the San Elijo Gateway Property Acquisition of $1.8 million, for the San Diego Botanic Garden Acquisition of $1.0 million, for the 4S Ranch Synthetic Turf South Ball Fields of $2.5 million. In addition, lease payments for certain long-term lease obligations have decreased by $4.6 million as a result of decreases in certain scheduled leases partially offset by the start of a lease payment for the 2012 Cedar & Kettner Development Project.

Impact of the May Revision to the Fiscal Year 2013-14 Proposed State Budget on the County's Fiscal Year 2013-14 Recommended Budget

On May 14, 2013, the Governor released his May Revision to the 2013-14 Proposed State Budget (the "May Revision"), which projects Fiscal Year 2012-13 revenues and transfers of $98.19 billion, total expenditures of $95.69 billion and a year-end surplus of $850 million (net of the $1.66 billion deficit from Fiscal Year 2011-12), of which $618 million would be reserved for the liquidation of encumbrances and $232 million would be deposited in a reserve for economic uncertainties. The May Revision projects Fiscal Year 2013-14 revenues and transfers of $97.24 billion, total expenditures of $96.35 billion and a year-end surplus of $1.73 billion (inclusive of the projected $850 million State General Fund balance as of June 30, 2013 which would be available for Fiscal Year 2013-14), of which $618 million would be reserved for the liquidation of encumbrances and $1.11 billion would be deposited in a reserve for economic uncertainties. See "State Budget for Fiscal Year 2013-14 - May Revision to the Fiscal Year 2013-14 Proposed State Budget." herein.

The May Revision provides for continued funding for 2011 Public Safety Realignment ("2011 Realignment") from sales tax and Vehicle License Fees, which revenues are deposited into the Community Corrections subaccount. For Fiscal Year 2013-14, the County's percentage share of these revenues remains 7.02%. The amounts received to date have been sufficient for the County to address current required costs related to 2011 Realignment. The May Revision projects a lower level of sales tax revenue from what was projected in Fiscal Year 2013-14 Proposed State Budget in January 2013. Actual state revenue will impact the funding for 2011 Realignment and will not be known until the fall of 2013.

The county allocation formulas set forth in applicable State statute will expire at the end of Fiscal Year 2013-14.

The May Revision also proposes a state-based approach for Medi-Cal expansion wherein the State will focus on expanding Medi-Cal on the state level while ultimately shifting certain human services program responsibilities to counties. The expansion of Medi-Cal on the State level is anticipated to produce savings at the local level which will be redirected through a financial mechanism that will align revenues with actual costs expended at the local level. The savings will be used to support State costs and will ultimately be redirected to support human services programs that will be realigned to the local level. The revenues that are subject to this mechanism include current health realignment dollars, which amount is $80 million for the County. Examples of those human services programs that will be realigned at the local level include CalWorks, CalWorks-related child care programs and CalFresh administration costs. The County is working with its state associations to work with the State Administration in developing an alternative proposal.

Fund Balance and Reserves Policy

The County's Fund Balance and Reserves Policy (the "Fund Balance and Reserves Policy") establishes guidelines regarding the maintenance of fund balance and reserve levels in the General Fund. Pursuant to the Fund Balance and Reserves Policy, subject to a waiver of all or a portion of such policy by the Board of Supervisors, the County will maintain: a Commitment for Unforeseen Catastrophic Events (the "Commitment for Unforeseen Catastrophic Events") with a targeted amount equivalent to 5% of the total budgeted General Purpose Revenue to fund legally declared emergencies; a Contingency Reserve (the "Contingency Reserve") with a targeted amount equivalent to 2% of the total budgeted General Purpose Revenue to fund unanticipated needs of the County or offset revenue shortfalls during the Fiscal Year; and a General Fund Minimum Fund Balance for Economic Uncertainty (the "General Fund Minimum Fund Balance for Economic Uncertainty") at the targeted level of 10% of the total budgeted General Purpose Revenue. In the event that the Commitment for Unforeseen Catastrophic Events, the Contingency Reserve or the Minimum Fund Balance for Economic Uncertainty fall below their targeted levels, the CAO will present a plan to the Board of Supervisors for restoration of those levels.

The Commitment for Unforeseen Catastrophic Events, Contingency Reserve and the General Fund Minimum Fund Balance for Economic Uncertainty totals set forth in the Fiscal Year 2013-14 Recommended Budget exceed the County's 17% Fund Balance and Reserves Policy target. The General Purpose Revenue in the Fiscal Year 2013-14 Recommended Budget totals $978.0 million. For Fiscal Year 2013-14, the Commitment for Unforeseen Catastrophic Events is budgeted to remain at $55.5 million, exceeding the reserve requirement of $48.9 million; the Contingency Reserve is budgeted to remain at $20.0 million, exceeding the target level of $19.6 million; and the General Fund Minimum Fund Balance for Economic Uncertainty will also remain at $100.0 million, exceeding the target level of $97.8 million. See also "– Budget and Financial Position of the County" and "– County's 2013-14 Recommended Budget and the Operational Plan" herein.

Other Operational Impacts

Bacterial Total Maximum Daily Loads Resolution. The San Diego Regional Water Quality Control Board ("RWQCB") adopted a resolution entitled the Bacterial Total Maximum Daily Load Resolution ("Resolution") that became effective in April 2011. The Resolution impacts eight watersheds within the region, requiring that water quality of highly urbanized watersheds be returned to pre-development levels within eight years for dry weather conditions and 18 years for wet weather conditions. Along with other local agencies, the County shares responsibility for six of these eight watersheds. The

RWQCB has indicated its intention to enforce the Resolution by incorporating its requirements into the San Diego Regional Municipal Storm Water Permit ("Permit"). While the County continually works to improve water quality, the Resolution includes requirements that are very expensive to achieve, and may not be attainable. The County is urging the RWQCB to make the goals of the Resolution more reasonable. It is unknown, until the applicable total maximum daily loads ("TMDL") plan is reviewed in 2016, whether the RWQCB will revise the requirements of the Resolution. The County's share of the estimated 20-year compliance costs for the six watersheds are estimated between $286 million and $567 million over the remaining 18 years left in the 20-year compliance period provided in the Resolution. On average, the annual cost to the County would be an additional $16 million to $31 million. The first compliance milestone for the Resolution is a load reduction plan for each of the watersheds. The County currently is only required to submit load reduction plans for three of the six watersheds within the affected jurisdiction. The County submitted a proposed Comprehensive Load Reduction Plan ("CLRP") for the three impacted watersheds to the RWQCB by the October 4, 2012 deadline. The proposed CLRPs will state that the responsible agencies are only prepared to implement the actions identified in the plans as existing resources allow. The RWQCB has issued Tentative Order R9-2013-0001, and has held hearings on the proposed Order, which would constitute the new NPDES Municipal Stormwater Permit (the "New Permit") for the Counties of San Diego, Orange and Riverside. The RWQCB voted to adopt the New Permit after a continued hearing at its May 8, 2013 meeting. The New Permit incorporated the bacteria TMDL provisions, making them enforceable obligations unless appealed and modified. On May 15, 2013 the Board of Supervisors authorized an administrative appeal of the New Permit to the State Water Resources Control Board.

Budget Control Act of 2011. Pursuant to existing federal law automatic spending cuts to federal defense and other discretionary spending (referred to as "sequestration") became effective as of March 1, 2013 and will continue until further action is taken by Congress. While specific impacts to County operations and finances is unknown, the County continues to monitor as more detailed information is provided.

Teeter Plan

In Fiscal Year 1993-94, the County adopted the alternative method of secured property tax apportionment available under Chapter 3, Part 8, Division 1, of the Revenue and Taxation Code of the State of California (also known as the "Teeter Plan"). This alternative method provides for funding each taxing entity included in the Teeter Plan with its total secured property taxes during the year the taxes are levied, including any amount uncollected at Fiscal Year end. Under this plan, the County assumes an obligation to advance funds to these entities to cover expected delinquencies. The County's general fund benefits from future collections of penalties and interest on delinquent taxes collected on behalf of participants in this alternative method of apportionment. The County has not issued Teeter Notes to fund delinquencies since June 15, 2006 and there are currently no plans to issue Teeter Notes in the future.

Temporary Transfers

Section 6 of Article XVI of the California Constitution provides for temporary transfers of funds by the Treasurer-Tax Collector of the County (the "Temporary Transfers"; such transfers are referred to as Treasurer's Loans from time to time) to cover short-term operational deficits occurring as a result of imbalances between receipts and expenditures. The California Constitution prohibits Temporary Transfers by participants of the Treasury Pool (herein defined) (including the County) after the last Monday of April of each Fiscal Year, and in amounts in excess of 85% of the anticipated revenue accruing the Treasury Pool participant. Treasury Pool participants may utilize Temporary Transfers from time to time for various purposes. A Temporary Transfer must be repaid from the Treasury Pool participant's first revenues received thereafter before any other obligation and thus, in the case of the

County, would have a priority over the County's general fund debt obligations. The County has not received any Temporary Transfers in the past ten years.

San Diego County Employees Retirement Association

The following information concerning the San Diego County Employees Retirement Association (the "Association") has been excerpted from publicly available sources, which the County believes to be accurate, or otherwise obtained from the Association. The Association is not obligated in any manner for payment of debt service on the Tax and Revenue Anticipation Note Program Note Participations, Series 2013 (the "Note Participations") described in the forepart of the Official Statement, and the assets of the County's pension plan are not available for such payment. The Association issues publicly available reports, including its financial statements, required supplementary information and actuarial valuations for the herein described pension plan and retiree health plan. The reports are available on the Association's website: http://www.sdcera.org/investments.htm. Information on such site is not incorporated herein by reference.

General

The Association, which was established July 1, 1939 under provisions of the County Employees Retirement Law of 1937 (the "Retirement Law"), administers the County's cost-sharing multiple-employer defined benefit pension plan covering substantially all compensated employees of the County. Benefits under the County's pension plan are paid in finite amounts, derived from a formula based on age, service credit and levels of compensation, as calculated by the Association in accordance with applicable law and agreements. As of June 30, 2012, there were 16,457 active members, 15,166 retired members and beneficiaries and 5,039 deferred members. Deferred members are those members whose employment has terminated with a participating employer and who left their respective retirement contributions with the Association. The system operates on a fiscal year basis, with its year ending June 30. The pension system currently has four tiers and provides retirement, disability, death and survivor benefits to its General and Safety members. Tier A (with 14,735 active members as of June 30, 2012) and Tier I (with 31 active members as of June 30, 2012) are closed to new entrants, and Tier II was eliminated for active members. Tier B became effective on August 28, 2009, and on January 1, 2013, Tier C became the current open plan for all newly hired employees. Tier C was implemented by the County pursuant to PEPRA. See "County of San Diego Employees – Negotiated Retirement Amendments" herein for a description of modifications to the benefit tiers effective August 28, 2009 and January 1, 2013.

The County is one of the employers that participate in the Association. In addition to the County, participating employers include the San Diego Superior Court (the "Court"), the Local Agency Formation Commission and the San Dieguito River Valley Joint Powers Authority. The County and these other participating employers are collectively referred to herein as the "Employers" and contributions to the Association made by such Employers are referred to herein as "Employer Contributions". The County is obligated to make approximately 91% of the annual Employer Contributions to the Association and the other participating Employers are obligated to make approximately 9% of the annual Employer Contributions to the Association, based on the estimated relative percentage of payroll of the County and the other participating Employers for Fiscal Year 2011-12. Separate from the Employers, the San Diego County Office of Education (the "Office of Education") has approximately 9 retirees who participate in the Association's retirement plan and receive benefits, but no longer makes contributions to the Association. Retirement benefits for these 9 retirees are funded by contributions previously made by the Office of Education.

General Funding Practices of the Association

Introduction. The Retirement Law requires the Association to commission an actuarial valuation and an experience study at least every three years. It is the Association's policy to conduct an actuarial valuation at least every three years; the Association's practice has been to conduct an actuarial valuation on an annual basis as of June 30 of each year, which is the end of the Association's fiscal year. The valuation must be completed by an Enrolled Actuary, covering the mortality, service, and compensation experience of the members and beneficiaries, and must evaluate the valuation assets and actuarially determined liabilities of the Association. The Retirement Law requires the Retirement Board of the Association (the "Retirement Board") to recommend to the Board of Supervisors and the other Employers such changes in the rate of contribution by the Employers and members, and in the County's and the other Employers' appropriations as necessary. Once the Retirement Board recommends any such changes, the Retirement Law requires the Employers (including the County) to implement such changes. The most recent actuarial valuation is as of June 30, 2012, prepared by The Segal Company, the Association's actuary (the "Actuary").

Normal Cost and UAAL and its Calculation. Currently, the Association uses the "entry age normal actuarial cost method" to calculate the Employers' annual rates of contribution. The actuarially required contribution has two components, the "normal cost" and the amortized amount of the unfunded actuarial accrued liability ("UAAL"). Normal cost represents the portion of the actuarial present value of the benefits that the Employers and their respective employees will be expected to fund that are attributable to a current year's employment. The normal cost contribution amount is calculated based on a set of actuarial assumptions about future events pertaining to the amount and timing of benefits to be paid and the accumulation of assets to pay the benefits. Currently the normal cost for the General and Safety membership groups is calculated on an aggregate basis by taking the present value of future normal costs divided by the present value of future salaries to obtain a normal cost for all employees covered in that membership group. At the May 2, 2013 meeting, the Retirement Board adopted the recommendation of the Association's actuary to modify the calculation of entry age normal actuarial cost from an aggregate basis to an individual basis. Beginning with the actuarial valuation for Fiscal Year ending June 30, 2013, the normal cost for each membership group will be calculated by summing up the individual normal costs for each member covered in that membership group for the applicable year. The UAAL may increase or decrease as a result of changes in actuarial assumptions or methods, statutory provisions, benefit improvements and other experience which differs from that anticipated by the actuarial assumptions. There is a lag between the point in time at which the actuary completes the actuarial valuation and the date that the contribution rates calculated in the valuation go into effect. This lag is typically 12 months. For example, the recommended contributions contained in the actuarial report as of June 30, 2012 apply to contributions to be made by the County and the other Employers for the Fiscal Year beginning July 1, 2013.

The UAAL calculation is necessary to determine how sufficient the assets in the Association are to fund, as of the date of calculation, the accrued costs attributable to currently active, deferred vested members and retired members. The funding sufficiency is typically expressed as the ratio of the valuation assets to the actuarial accrued liabilities. If the actuarially calculated funding level of a plan is less than 100%, the plan has a UAAL. The UAAL is determined by comparing the actuarial assumptions made to actual experience. Examples of the data that are used in this process are the assumed (versus actual) rates of earnings on the assets of the plan, pay increases for current employees, disability retirements, retirement ages of active employees, and post-employment life expectancies of retirees and beneficiaries.

When measuring assets for determining the UAAL, many pension plans, including the Association, "smooth" gains and losses to reduce volatility. For example, if in any year the actual investment return on the Association's assets is lower or higher than the actuarial assumed rate of return (which is currently 7.75%, net of expenses), then the shortfall or excess, together with other experience gains or losses, is smoothed or spread over a five-year period. The impact of this will result in an actuarial value of assets which is lower or higher than the market value of assets depending upon whether the remaining amount to be smoothed is either a net gain or a net loss. At its May 2, 2013 meeting, the Retirement Board adopted the recommendations presented by the Association's actuary to make a one-time adjustment to the asset smoothing method to combine deferred investment gains and losses as of June 30, 2012 for the June 30, 2013 actuarial valuation. The net deferred investment loss of approximately $170.6 million will be recognized over the next four and a half years. Smoothing such net loss over this same period results in approximately $37.9 million in investment loss being recognized annually.

Further, various plans use different amortization periods for paying off (or "amortizing") a UAAL. The amortization of the UAAL represents the current year's portion of the unfunded accrued costs (*i.e.*, the UAAL) attributable to past years' employment. Some plans use rolling periods and others use "fixed" periods, such as a 30-year fixed period, meaning that the actuarially required contribution in a particular year would be the unfunded actuarial accrued liability amortized over the remaining years in the fixed period. On June 17, 2004, the Retirement Board changed the Association's amortization period from a 15-year rolling amortization period to a 20-year fixed layered amortization period.

The 20-year fixed layered method of amortizing the UAAL amortizes each year's change in UAAL over a new 20-year period. Accordingly, the increase or decrease in UAAL from the current year's actuarial valuation began a new 20-year amortization schedule and the prior year increase or decrease in UAAL has 19 years remaining on its 20-year amortization schedule. As with other assumptions, the Retirement Board may change the amortization period from time to time, which would result in the Employer's contributions to the Association in a particular year being higher or lower.

Investors are cautioned that, in considering the amount of the UAAL as reported by the Association and the resulting amounts of required contributions by the County and the other Employers, this is "forward looking" information in that it reflects the judgment of the Retirement Board and the Association's actuary as to the amount of assets which the Association will be required to accumulate to fund future benefits over the lives of the currently active employees, vested terminated members and existing retired members. These judgments are based upon a variety of assumptions, one or more which may prove to be inaccurate or be changed in the future, and will change with the future experience of the Association.

Demographic Assumptions. The Retirement Board and the Association's actuary review the various demographic assumptions that are employed in calculating the normal cost rates against actual experience at least every three years. The Association's actuary last presented an experience study to the Association on April 19, 2013 with respect to results as of July 1, 2009 through June 30, 2012. The Association's actuary recommended changes to certain assumptions, including the assumed future merit and longevity pay increases for current employees, the assumed rates of disability, the assumed retirement ages of active employees, the assumed ordinary withdrawal and vested termination rates, and the post-employment life expectancies of retirees and beneficiaries. At its May 2, 2013 meeting, the Retirement Board adopted the recommendations presented by the Association's actuary. The set of assumptions approved by the Retirement Board will be used to prepare subsequent actuarial valuation reports, beginning with the report for the year ended June 30, 2013. The next experience study is expected to be conducted in 2016 with respect to results as of July 1, 2012 through June 30, 2015.

Economic Assumptions. The Association's actuary prepares a review of economic actuarial assumptions every three years in conjunction with the demographic study. At the April 19, 2013 Retirement Board Retreat, the Association's actuary proposed new economic assumptions. The

Association's actuary recommended a reduction of the current annual investment return assumption of 8.00% to 7.75%, a reduction in the assumed inflationary salary rate from 3.50% to 3.25%, no change in the assumed "across the board" salary assumption of 0.75% and a change to the combined inflationary and real "across the board" salary increase assumption from 4.25% to 4.00%. These assumptions will be used to prepare subsequent actuarial valuation reports, beginning with the report for the year ended June 30, 2013. The next economic assumptions review is expected to be conducted in conjunction with the next demographic experience study, which, as noted above, is expected to occur in 2016. The County cannot predict at this time the further recommendations to be made by the Association's actuary, the Retirement Board's determinations with respect thereto and their potential effects on the Association's assets and liabilities or the contributions to be made by the County, other employers and their respective employees.

Funding Status of the Association

Current Status. As of June 30, 2012, the date of the most recent actuarial valuation report, the valuation value of assets of the Association was approximately $8.607 billion and the actuarial accrued liability was approximately $10.943 billion, resulting in a funded ratio of approximately 78.7% and an UAAL of approximately $2.336 billion on a valuation value of assets basis. By comparison, the funded ratio as of June 30, 2011 was 81.5%, reflecting valuation value of assets of approximately $8.542 billion, actuarial accrued liability of approximately $10.483 billion and the UAAL of approximately $1.940 billion. See Table 9 – Historical Funding Status. The decline in the funded ratio reflects, among other things, the recognition of a portion of prior years' investment losses. The total unrecognized investment loss as of June 30, 2012 was $170.6 million, which amount will be recognized in the determination of the actuarial value of assets for funding purposes over the next five years, to the extent it is not offset by recognition of investment gains derived from future experience. The actuarial value of assets and the UAAL may increase or decrease based on investment results of the Association being above or below the actuarially assumed rate of return of 7.75% per annum as a consequence of increases or decreases in the securities market. Based on the foregoing, earning the assumed rate of investment return of 7.75% per annum on a market value basis will result in investment losses on the actuarial value of assets and an increase in the County's contribution requirements in each of the next five years as the investment losses are recognized. No assurance can be given that the actuarial value of assets of the Association will not materially decrease. The Association reported a total portfolio market value of net pension assets of $8.521 billion as of June 30, 2012, compared to $8.183 billion as of June 30, 2011, a $0.338 billion increase in net assets or a 5.46% return on the market value of pension assets. Table 10 – Prospective Funding Status of the Association below reflects the projected funding status through Fiscal Year 2018-19. These projections are based on certain assumptions, including achieving a 7.75% return on investments described herein. As of March 31, 2013, the Association reported a total portfolio market value of net pension assets of $9.3 billion, an increase of approximately 9.7% since June 30, 2012. Investment results may help mitigate the material adverse effect of the losses experienced in Fiscal Year 2008-09 on the actuarial value of the assets, the funded ratio and the employer contributions beginning in Fiscal Year 2011-12. The impact of the Fiscal Year 2008-09 losses and the current demographic and economic assumptions is illustrated in Table 10 – Prospective Funding Status of the Association below. See "County Financial Information – San Diego County Employees Retirement Association – General Funding Practices of the Association – Normal Cost and UAAL and its Calculation" herein.

Historical Funding Status. Table 9 below sets forth for each of the ten years ended June 30, 2012 the amount of the total Employer Contributions and Employer Offsets made by the County and the other Employers. The contribution amounts are based on the market value of the pension assets, the valuation value of the pension assets, the actuarial accrued liability of the pension system, the UAAL and the funded ratio of the Association as of the end of the second preceding fiscal year, which are set forth in Table 9 below.

TABLE 9
HISTORICAL FUNDING STATUS
Valuation Years Ended June 30, 2001 through 2012 and
Fiscal Years Ended June 30, 2003 through 2014
($ In Millions)

Valuation Date (June 30)	Net Market Value of Assets	Valuation Value of Assets	Actuarial Accrued Liability	UAAL[1]	Funded Ratio	Fiscal Year	Employer Contribution[1]	Employer Offsets[2]
2001	$ 3,816.9	$ 3,745.6	$ 3,506.8	$ (238.8)	106.8%	2003	$ 12.2[5]	$ 53.9
2002	3,533.6	3,831.3	5,078.1	905.1[3][4]	82.5[3][4]	2004	195.0[5]	55.2
2003	4,103.3	4,417.8	5,853.1	1,435.4[3][5]	75.5[3][5]	2005	260.0[6]	56.1
2004	5,508.6	5,166.8	6,369.5	1,202.7[5]	81.1[5]	2006	243.7[7]	58.8
2005	6,358.5	5,612.3	6,990.7	1,378.4	80.3	2007	258.2[8]	62.3
2006	7,330.9	6,263.0	7,495.3	1,232.3	83.6	2008	236.8	68.7
2007	8,444.5	7,250.4	8,082.5	832.1	89.7	2009	219.6	71.6
2008	8,408.0	8,236.9	8,722.3	485.4	94.4	2010	189.5[9]	68.4
2009	6,192.0	8,413.1	9,198.6	785.6	91.5	2011	235.4[10]	68.4
2010	6,878.2	8,433.3	9,999.2	1,565.9	84.3	2012	274.1	61.0
2011	8,182.9	8,542.3	10,482.7	1,940.4	81.5	2013	326.6[11]	42.0[12]
2012[13]	8,436.9	8,607.5	10,943.2	2,335.7	78.7	2014	360.0[11]	43.0[12]

Source: The County.

(1) Negative numbers represent an actuarially accrued surplus.

(2) These contribution amounts reflect the aggregate contribution amount of all Employers and not only that of the County. In each year the amounts indicated under the columns Employer Contribution and the Employer Offsets were based on the valuations as reported in the actuarial valuation dated as of the end of the second preceding year ended June 30 (as set forth in the table). The County share of Employer Contributions and Employer Offsets are estimated to be approximately 91.0% based on the estimated relative percentage of payroll of the County for Fiscal Year 2011-12. See "County Financial Information – San Diego County Employees' Retirement Association – General" herein.

(3) From June 30, 2001 to June 30, 2003, a number of events adversely affected the UAAL and the funded ratio, including, but not limited to, (1) effective March 8, 2002, the Board of Supervisors increased retirement benefits for active employees which in turn increased actuarially determined liabilities, (2) investment results of the Association were below the actuarially assumed rate of 8.25% per annum as a consequence of declines in the securities market; (3) the Association adjusted several demographic assumptions based on a regular experience study conducted by its actuary that evaluates the reasonableness of the Association's assumptions and implemented those in the actuarial valuation report as of June 30, 2003; (4) the Association ceased including amounts in the Undistributed Reserve (as defined herein) as valuation assets when calculating the Association's UAAL; and (5) deviations occurred between actual experience and those assumptions used in calculating the UAAL.

(4) The UAAL and Funded Ratio indicated for the Fiscal Year ended June 30, 2002 are those calculated in an October 2002 actuarial valuation. The October 2002 actuarial valuation report reflected the contribution by the County of $550 million of proceeds of the 2002 POBs to the Association on October 3, 2002.

(5) Employer Contributions do not include any of the amounts contributed by the County from the proceeds of the issuance of the POBs in the indicated Fiscal Years. However, such amounts are reflected in the UAAL and Funded Ratios of the Association as of the end of such Fiscal Years.

(6) Includes $235.1 million of required contributions plus an additional discretionary contribution of $24.9 million.

(7) Includes $203.7 million of required contributions plus an additional discretionary contribution of $40.0 million.

(8) Includes $231.3 million of required contributions plus an additional discretionary contribution of $26.9 million.

(9) Includes $188.4 million of required contributions plus an additional discretionary contribution of $1.1 million.

(10) Includes $205.8 million of required contributions plus an additional discretionary contribution of $29.6 million.

(11) Employer Contributions for Fiscal Year 2013 and Fiscal Year 2014 are from the valuation reports dated as of the end of the second preceding year ended June 30 as reflected in the table.

(12) Estimated.

(13) Reflects market value of assets net of non-valuation reserves.

Employee Contributions Paid by the Employers. In addition to making annual contributions to the Association in accordance with the applicable actuarial valuation, the Employers also have agreed pursuant to the collective bargaining arrangements with their employee unions dating back to 1982 to pay a portion of the employees' required contribution to the Association (these payments by the Employers are referred to herein as the "Employer Offsets"). For non-safety employees, the Employer Offsets range from 3% to 9.5% of their salary, and for safety employees the Employer Offsets range from 2.75% to 16.73% of their salary. In most instances, the amount of Employer Offsets will be less than the total required employee annual contribution. See "County Financial Information – San Diego County Employees Retirement Association – Historical Funding Status" herein for information regarding payments by the Employer of Employer Offsets for each of the ten years ending June 30, 2012. See "The County – County of San Diego Employees – Negotiated Retirement Amendments" herein for a description of negotiated changes to the Employer Offsets effective July 1, 2011.

Prospective Funding Status of the Association

Table 10 below sets forth projections by the Association's actuary relating to future Employer Contribution amounts, Employer Offsets, UAAL, and funded ratio. The information contained in this table, and the related assumptions, are "forward-looking" in nature and are not to be construed as representations of fact or representations that in fact the various tabular information shown will be the correct amounts for the years indicated. Rather, these reflect good faith estimates by the Association's actuary and the Association, taking into account a variety of assumptions, a number of which are discussed herein. The County cannot predict whether the Association will achieve its assumed rate of return in the current or future years. Accordingly, prospective investors are cautioned to view these estimates as general indications of orders of magnitude and not as precise amounts. Table 10 reflects the May 2, 2013 action by the Retirement Board adopting a 7.75% investment return. The projections herein have been updated since the posting of the Preliminary Official Statement dated May 24, 2013, to reflect the anticipated effects of certain of the other changes adopted by the Retirement Board on May 2, 2013 described in "General Funding Practices of the Association" herein.

TABLE 10
PROSPECTIVE FUNDING STATUS OF THE ASSOCIATION
Fiscal Years Ended June 30, 2013 through 2021
($ In Millions)

Fiscal Year	Employer Contributions(1)(2)(3)	Employer Offsets(1)(2)(3)	Valuation Date (June 30)	UAAL(1)(2)(3)	Funded Ratio(1)(3)
2013	$ 327	$ 42	2011	$ 1,940	81.5%
2014	360	43	2012	2,336	78.7
2015	421	45	2013	3,655	77.5
2016	439	47	2014	2,694	78.4
2017	454	49	2015	2,686	79.6
2018	470	51	2016	2,659	80.8
2019	485	53	2017	2,593	82.2
2020	499	56	2018	2,487	83.8
2021	512	58	2019	2,359	85.4

Source: The Segal Company.

(1) Employer Contributions and Employer Offsets for Fiscal Year 2013 and Fiscal Year 2014 are from the valuation reports dated as of the end of the second preceding year ended June 30 as reflected in the table.

(2) The following assumptions have been applied in preparing the foregoing estimates:

(a) Reflects the economic and non-economic assumptions adopted by the Association Board for the June 30, 2013 valuation and all future valuations.

(Table continued on subsequent page.)

(Table continued from prior page.)

The financial impact of changing the investment return assumption to 7.75% was modeled on the June 30, 2012 valuation, with the resulting impact on the Actuarial Accrued Liability (AAL) and Normal Cost (NC) applied proportionately to the projected AAL and NC as of June 30, 2013. For the June 30, 2012 valuation, changing the actuarial assumptions resulted in a 2.2% increase in AAL (1.7% of payroll when the increase in AAL is amortized over 20 years), a 2.3% increase in employee NC (0.2% of payroll), and a 3.3% increase in employer NC (0.5% of payroll).

(b) Under the Board's asset smoothing method, if the actual return on market value of assets is above/below the assumed expected return on market value of assets, the difference between the actual and the expected return will be recognized over a five year period. There was a total of $170.6 million in unrecognized investment loss as of June 30, 2012.
On May 2, 2013 the Association Board adopted an ad hoc adjustment to combine all the $170.6 million in net deferred investment losses and recognize one-ninth of the amount (*i.e.*, $18.95 million) in each of the six-month periods following July 1, 2012.

(c) All of the actuarial assumptions that were approved for use with the June 30, 2012 and then the June 30, 2013 and subsequent valuations would be met in the future.

(d) In projecting the payroll, the Actuary assumed that the estimated Fiscal Year 2012-13 payroll of $1,052.4 million used in the June 30, 2012 actuarial valuation will increase by 4.0% per annum (3.25% inflation plus 0.75% across-the-board salary increase) based on the recently adopted economic assumptions for the June 30, 2013 valuation.

(e) The Employer Offsets (the County's pickup of member contributions) reflect negotiated offset savings in the current bargaining agreements which are reflected in the County's Fiscal Year 2012-13 Adopted Budget and the County's Fiscal Year 2013-14 Recommended Budget. The actuarial assumptions that these costs will increase by 4.0% per year is reflected. This is a simplifying assumption as the actual Employer Offsets amount is governed by bargaining agreements with employee groups and actual membership demographics.

(f) The County adopted a new General Tier B and a new Safety Tier B plan for members hired on or after August 28, 2009. These new Tiers have since been superseded by the less expensive Tier C plans required under PEPRA for members hired on or after January 1, 2013. There will be a gradual reduction in the employer's aggregate normal cost as a bigger portion of the Association's active workforce is covered by the less expensive plans. The cost reductions are reflected in the projections.

(g) The Retirement Board will not restore the 1% Contingency Reserve until after the Association has Available Earnings remaining after crediting interest to all valuation reserves.

(h) The projections use the individual Entry Age method recommended by the Association's actuary, which is different from the current aggregate version of the Entry Age actuarial cost method; the change to the individual Entry Age method would result in a 3.2% increase in the employer normal cost (0.5% of payroll). This recommendation has not yet been adopted by the Association Board.

(3) The County is obligated to make approximately 91% of the annual Employer Contributions to the Association and the other participating employers are obligated to make approximately 9% of the annual Employer Contributions to the Association, based on the estimated relative percentage of payroll of the County and the other participating employers for Fiscal Year 2011-12.

(4) In each year the Employer-Required Contribution and the Employer Offsets will be based on the UAAL as reported in the actuarial valuation dated as of the end of the second preceding year ended June 30 as reflected in the table.

Investment

General. The Retirement Law and the California Constitution grant the Retirement Board exclusive control over the investment of the Association's assets. The Retirement Law and the Constitution provide general guidelines which generally require the Retirement Board to manage the investments for the purpose of providing benefits to members, minimizing Employer Contributions, and defraying the reasonable expenses of administering the Association. The Retirement Law and the Constitution further require the Retirement Board to manage the Association's investments prudently and to diversify investments in the manner and to the extent it deems appropriate. See "County Financial Information – San Diego County Employees Retirement Association – Investment – Investment Policy" below.

In 2009, the Retirement Board retained as its portfolio strategist Integrity Capital LLC ("Integrity Capital"), a consulting firm led by Lee Partridge, pursuant to a 39-month contract with two two-year extensions. The portfolio strategist serves as the Association's outsourced chief investment officer. Effective November 17, 2010, the ownership of Integrity Capital was acquired by Salient Partners, L.P. ("Salient"), an investment management firm based in Houston, Texas. Under this new ownership, and with the additional resources Salient provides, Integrity Capital has continued to perform under its existing contract with the Association according to its original terms. In addition, Lee Partridge continues to serve as the Association's portfolio strategist.

The Board has considered different investment management service models, including options that call for a division of responsibility as to various asset classes between internal and outside resources. A final decision has not yet been reached on whether, and if so how, the Association's current investment staffing model will change.

Investment Policy. The Retirement Board has adopted an investment policy statement, last revised in July, 2010, and related policies that set investment return and risk objectives and provide for extensive guidelines with respect to the diversification of assets, the appropriate securities, lending of securities, commission recapture, value-added strategies, proxy voting, and corporate governance issues. The Association's assets are diversified across asset classes, including equity, fixed income and real estate assets, and within asset classes. Table 11 below sets forth the Association's current asset allocation policy (the "Asset Allocation Policy"), effective as of July 1, 2010. The asset allocation policy is managed and monitored by the Association's staff with the assistance of external investment consultants. That total investment portfolio was $8.408 billion as of June 30, 2008, $6.192 billion as of June 30, 2009, $6.878 billion as of June 30, 2010, $8.255 billion as of June 30, 2011, $8.518 billion as of June 30, 2012 and $9.427 billion as of March 31, 2013.

TABLE 11
SAN DIEGO COUNTY EMPLOYEES RETIREMENT ASSOCIATION
ASSET ALLOCATION POLICY[(1)]

Asset Class	Benchmark	Percentage Limits Target	Min.	Max.
Global Developed Equities	MSCI World Net Index	20%	15%	25%
Emerging Market Equities	MSCI Emerging Markets Index	5	2	10
High Yield	ML High Yield Master II	5	2	10
Private Equity[(2)]	Russell 3000 + 3%	10	5	15
Total Growth Oriented Assets	*Weighted Average of Subcomponents*	*40*	*24*	*60*
Emerging Market Debt	JP Morgan GBI – EM Global Diversified (Unhedged)	10	5	15
US Treasuries	Barclay's 10-year UST Futures Index[(1)]	40	20	60
Global Macro	2/3 HFRI Macro + 1/3 Barclays CTA Indices	10	5	15
Relative Value	Three-Month Treasury Bills + 2%	10	5	15
Total Stable Value Assets	*Weighted Average of Subcomponents*	*70*	*35*	*105*
Treasury Inflation Protected Securities	Barclay's Capital U.S. TIPS	5	2	15
Real Estate[(2)]	NCREIF NPI	10	5	15
Natural Resources and Other Real Assets	1/3 GSCI + 1/3 Citi MLP + 1/6 S&P Materials Index + 1/6 S&P/TSX Materials Composite Index	10	5	15
Total Inflation-Sensitive Assets	*Target Weighted Average*	*25*	*12*	*45*
Total Fund	**Weighted Average of Subcomponents**	**135**		

Source: San Diego County Employees Retirement Association.
(1) The benchmark for the cash backed portion of the 10-year Treasury futures allocation will include the return on three-month Treasury bills in addition to the Barclay's 10-year Futures Index.
(2) Returns for the privately invested portions of the real estate, private equity and real asset portfolios will be lagged by one quarter and compared to their respective benchmark returns for the same period.

The 7.75% assumed rate of return most recently adopted by the Retirement Board and applicable to the projection of the Association's assets and liabilities is lower than the expected compound annual passive return of the Association's Asset Allocation Policy, which is 8.2%, as calculated by the Association's Investment Consultant in February 2013. The passive rate of return is the rate that would be earned if invested in passive index funds for a selected asset allocation, e.g. funds allocated to US Equities would be invested in a S&P 500 Index fund as a passive equivalent. The investment return assumption of 7.75% recommended by the Actuary is based on a number of assumptions, including the average assumed passive rate of earnings by asset class from a sample of investment consultants to several public pension funds including the Association's investment consultant, and then applied to the Association's asset allocation policy portfolio. From 2006 through 2009, the Retirement Board elected to maintain the assumed rate of earnings at 8.25% for the applicable fiscal year, a rate acceptable to the actuary, in part because the active management portfolio strategy of the Association, including the application of the Alpha Engine strategy, which the Association no longer uses, historically yielded rates of earnings substantially higher than the rates recommended by the Actuary. From 2010 through 2012, the Retirement Board used an assumed rate of return of 8.0%. See "County Financial Information – San Diego County Employees Retirement Association – Historical Investment Return".

Historical Investment Return. The historical annual net investment return on the market value of the Association's entire investment portfolio, after management fees, was 5.89% for the year ended June 30, 2012, 13.07% for the three years then ended, 1.78% for the five years then ended and 7.56% for the ten years then ended. This compares to the 8.00% actuarial assumed rate of return that the Association's actuary uses to calculate the normal Employer and employee contribution rates and the UAAL on a year-to-year basis (which is done by projecting into the future a variety of estimates, including how much will be earned on the assets of the Association in future years).

Hedge Funds. As of March 31, 2013, the fund was invested in 12 hedge funds with an approximate market value of $1.3 billion or 13.3% of the total market value of the portfolio.

Litigation Involving Prior Investment

On February 25, 2009, the United States Attorney's Office and the Federal Bureau of Investigation arrested the two principals of WG Trading Company ("WG TC"), a limited partnership fund in which the Association invested, on charges of securities fraud, wire fraud, and conspiracy to commit securities fraud and wire fraud. On the same day, all entities connected with the principals of WG TC were placed in receivership at the request of the U.S. Securities and Exchange Commission (the "SEC") and Commodities Future Trading Commission ("CFTC"). On December 31, 2008, based on WG TC's refusal to promptly and completely answer all questions presented during a due diligence investigation, the Association terminated the WG TC relationship and requested a full redemption of its investment. At that time, the Association had $78 million (including retained earnings) invested with WG TC, as reported by WG TC. The decision to terminate the WG TC relationship was a result of issues and concerns that arose during the due diligence review. Fraud was not suspected at the time. The Association's agreement with WG TC allows for a six-month redemption window; the assets have not yet been returned to the Association.

To preserve its interests in the holdings of WG TC, on March 25, 2009 the Association filed a motion to intervene in the two lawsuits brought by the CFTC and the SEC against WG TC, its principals and certain related entities. The motion to intervene was summarily denied, from which denial the Association has appealed; however that appeal is unlikely to be pursued, given the Association's subsequent appeal discussed below. In July 2009, the Chief Compliance Officer of WG TC pleaded guilty to certain charges. In July 2010, Paul Greenwood, one of the two principals of WG TC, pleaded guilty to seven counts alleging violations of federal law, including securities fraud, wire fraud, commodities fraud, conspiracy, and money laundering. The receiver appointed by the United States District Court for the Southern District of New York (the "Receiver") has filed reports asserting that WG TC was operated as part of a Ponzi scheme because funds of WG TC were intermingled with those of a sister entity, which was found by the court to have been operated as a Ponzi scheme. The Receiver proposed that WG TC's assets be distributed pro rata to investors in both WG TC and its insolvent sister entity, not just to investors in WG TC. The Association and six other WG TC limited partners filed joint objections to the Receiver's proposal. However, at a hearing on the proposal held March 16, 2011 in the receivership proceedings, the United States District Court for the Southern District of New York approved the Receiver's plan of distribution, and on March 21, 2011, entered an order directing the Receiver to make a distribution in accordance with the plan. Although the Association and six other WG TC limited partners have appealed the District Court's ruling to the United States Court of Appeals for the Second Circuit seeking a greater share of distributions on equitable grounds, the interim distribution pursuant to that ruling has been made, including a distribution of approximately $35 million to the Association, leaving approximately $50 million of receivership assets for future distribution to investors. Oral argument in the appeal took place on May 16, 2012, but no decision has yet been issued. The receiver has also recently filed a motion in the district court seeking permission to make a second distribution; there is no hearing date set for the motion, although it is fully briefed. The likelihood of success of the Association's appeal, and the amount of additional future distributions the Association may receive, cannot be assessed at this time.

Transfers of Investment Earnings by the Association

Introduction. Pursuant to statutory authority under the Retirement Law, the Retirement Board annually directs the crediting of the Association's investment earnings to reserves, some of which are part of valuation assets and some of which are not. Valuation assets are those assets used in calculating the UAAL and the funded ratio. For the purpose of such crediting, the Retirement Board has defined investment earnings as current income (*i.e.*, the interest, dividends, and rents) plus net realized capital gains on the book value of the Association's valuation and non-valuation assets. All of the Association's investment earnings are transferred to and kept in a reserve entitled the "Undistributed Reserve," and from there such earnings are transferred in accordance with Retirement Board policy. The Undistributed Reserve is currently not part of valuation assets and, except in certain limited circumstances described herein, amounts in the Undistributed Reserve are not included as assets for purposes of calculating the Association's UAAL.

Pursuant to the statutory authority of the Retirement Law, the Retirement Board has adopted an "Interest Crediting and Excess Earnings Policy", most recently amended in August 2007, which directs that investments earnings be transferred from the Undistributed Reserve to the following Association reserves, effectively, in the following order. First, such earnings are credited to the Association's valuation assets up to an amount determined by the Retirement Board's policies, currently in an amount equal to 8.00% of the value of the Association's valuation assets as of the end of the prior fiscal year. Second, a portion of such earnings is transferred to an Association Contingency Reserve (the "Association Contingency Reserve") to maintain the amount on deposit in the Association Contingency Reserve, which is not part of valuation assets, equal to one percent of the total market value of assets of the Association. The Association may transfer amounts from the Association Contingency Reserve to valuation assets when current investment earnings are insufficient to credit the valuation asset reserves with the 8.00% interest target. Earnings in excess of the amounts transferred to the Association Contingency Reserve are referred to herein as "Excess Earnings." The Association currently uses the change in actuarial value methodology to calculate Excess Earnings.

The Retirement Law permits the Association to use any Excess Earnings to fund the County Contribution Reserve to reduce any UAAL, to fund existing supplemental benefit reserves, and to fund new supplemental benefits, as may be adopted by the Retirement Board.

Excess Earnings Policy. The Retirement Board adopted an Excess Earnings Policy effective July 1, 2007 (the "Excess Earnings Policy") pursuant to which, after crediting the mandatory reserves with the assumed rate of interest, Excess Earnings would be available as follows:

- If the funded ratio of the Association as of any Fiscal Year end is below 90%, all Excess Earnings will be used to fund the pension liability.

- If the funded ratio of the Association as of any Fiscal Year end is between 90% and 100%, 75% of Excess Earnings will be used to fund the pension liability and the remaining 25% will be available to the Retirement Board for use at its discretion.

- If the funded ratio of the Association as of any Fiscal Year end is between 100% and 115%, 50% of Excess Earnings will be placed in the Association Contingency Reserve and 50% will be available to the Retirement Board for use at its discretion.

- If the funded ratio of the Association as of any Fiscal Year end is 115% or greater, the Retirement Board has total discretion as to the use of Excess Earnings.

Allocation of Excess Earnings to reserves that are not part of valuation assets may impact the UAAL and thus the amount of Employer Contributions required to fund pension benefits in the future. When earnings are held outside of valuation assets, those amounts are not available to decrease the UAAL because they are not available to pay benefits under the County's pension plan.

Historical Transfers of Investment Earnings. Table 12 below sets forth the amount of the Association's investment earnings that the Retirement Board has transferred from the Undistributed Reserve into reserves that are separate from valuation assets during the ten fiscal years ending June 30, 2012.

TABLE 12
TRANSFERS OF INVESTMENT EARNINGS
TO NON-VALUATION RESERVES
Fiscal Years Ended June 30, 2003 through 2012
(In Millions)

Fiscal Year	Post-Retirement Healthcare[1]	STAR COLA[2]	Contingency Reserve[3]	Total
2003	0.0	0.0	0.0	0.0
2004	0.0	19.6	19.8	39.4
2005[4]	0.0	9.3	8.5	17.8
2006	31.4	10.0	9.7	51.1
2007[5]	0.0	26.4	11.1	37.5
2008	0.0	0.0	(0.4)	(0.4)
2009	0.0	0.0	(2.2)	(2.2)
2010	0.0	0.0	0.0	0.0
2011	0.0	0.0	0.0	0.0
2012	0.0	0.0	0.0	0.0
Total[6]	$31.4	$65.3	$46.5	$143.2

Source: The Association.

(1) Reflects amounts that the Association transferred to the Health Reserve from Excess Earnings for Fiscal Years 2002-03 through 2011-12. The Health Reserve was originally established to hold amounts with which the Association reimbursed the County for amounts that the County contributed for the payment of post-retirement healthcare benefits. See footnote (5) below regarding the restructuring of the Health Reserve in Fiscal Year 2007-08.

(2) Reflects amounts that the Association has transferred from Excess Earnings to a reserve established for the payment of STAR COLA. The Association began providing STAR COLA benefits in the year ended June 30, 1999, and transfers to the STAR COLA reserve began in the year ended June 30, 1998. The STAR COLA reserve was originally established to hold amounts to fund a supplemental targeted cost of living adjustment. See footnote [5] below regarding the restructuring of the STAR COLA reserve effective with the June 30, 2007 Valuation Report.

(3) Reflects amounts that the Association has transferred from the Association's investment earnings to the Association Contingency Reserve. The Association Contingency Reserve was created in the Fiscal Year ended June 30, 2002. Before the creation of the Association Contingency Reserve, the 1% contingency amounts required by the Retirement Law were maintained in the Undistributed Reserve and were not separated from valuation assets.

(4) The Retirement Board determined that no amounts would be transferred from Excess Earnings to the Health Reserve for the year ended June 30, 2005 based on a determination that the amounts on deposit in the Health Reserve at the time was sufficient to pay post-retirement healthcare benefits for at least 5 years from the date of determination.

(5) In Fiscal Year 2007-08, the Health Reserve was restructured as a "Supplemental Benefits Reserve". See "County Financial Information – Supplemental Pension Benefits" herein. Effective for the June 30, 2007 Valuation Report, the STAR COLA became a prefunded supplemental benefit for certain retirees. The $26.4 million shown in this table was the amount that, in addition to the balance in the STAR COLA Reserve, was needed to accomplish the prefunding. See "County Financial Information – STAR COLA Benefits" herein.

(6) Reflects the sum of the deposits for the years shown, not the current balance in the reserves.

In certain of the years indicated in the foregoing table, the amounts credited to the STAR COLA reserve and the Health Reserve were actually transferred after the end of the fiscal year with retroactive effect. The Association does not track either the Employer or the departments or funds of any Employer from which retired personnel receiving STAR COLA or health benefits, when in active service, were paid.

Reserve Levels. As of June 30, 2012, no funds were on deposit in the Association Contingency Reserve, $69.0 million was on deposit in the Supplemental Benefits Allowance Reserve (restructured from the Health Reserve during Fiscal Year 2007-08), $9.5 million was on deposit in the Disability Supplemental Benefits Allowance Reserve, $5.1 million was on deposit in the 401(h) Reserve (see "Post-Retirement Healthcare Benefits – Funding Source for Post-Retirement Healthcare Benefits" below) and no funds were on deposit in the STAR COLA or Undistributed Earnings Reserve. For a discussion on actions of the Retirement Board with respect to the transfer of certain Excess Earnings to the Health Reserve and the STAR COLA reserve. See "County Financial Information – San Diego County Employees Retirement Association – Transfers of Investment Earnings by the Association" and "County Financial Information – STAR COLA Benefits" and "County Financial Information – Supplemental Pension Benefits" herein.

Financial Reporting Standard

In 2012, the Governmental Accounting Standards Board ("GASB") issued Statement No. 67, Financial Reporting for Pension Plans ("GASB 67"), which revises existing guidance for the financial reports of most pension plans, including the Association. GASB 67 generally expands the existing framework for financial reports of defined benefit pension plans, which includes a statement of fiduciary net position (the amount held in a trust for paying retirement benefits) and a statement of changes in fiduciary net position, and requires additional note disclosures and required supplementary information. The provisions in GASB 67 are effective for financial statements for fiscal years beginning after June 5, 2013. The Association anticipates complying with the provisions of GASB 67 by its effective date.

Post-Retirement Healthcare Benefits

General. The Association offers to eligible retirees a health insurance allowance to offset or reimburse the cost of medical insurance premiums. A variety of healthcare and dental plans with varying providers and levels of premiums are sponsored by the Association. Once a retiree elects a particular healthcare or dental plan, the amount of the premium is deducted from the retiree's monthly retirement check. Alternatively, retirees may be reimbursed for health insurance premiums of non-Association sponsored plans. Effective July 1, 2007, the Association limited the health insurance allowance to retirees who retired under the Tier I or Tier II plan.

Nature of the Post-Retirement Healthcare Payments. The Retirement Law does not require the Association to provide any post-retirement healthcare payments. In addition, in the opinion of County Counsel, the County has not entered into any collective bargaining agreements or other arrangements that require the County or the Association to maintain post-retirement healthcare benefits (although some members of the Association have stated that the County did promise retirees such benefits, which the County disputes). Therefore, in the view of County Counsel, the Association's payment of post-retirement healthcare benefits is an unvested benefit which can be cancelled at any time and for any reason by the Association. Nonetheless, the Association has continuously provided post-retirement healthcare benefits for many years.

Funding Source for Post-Retirement Healthcare Benefits. The Retirement Law authorizes a mechanism for the payment of post-retirement healthcare benefit costs pursuant to which a portion of the Employers' pension contributions are applied to the payment of these post-retirement healthcare benefits and the amounts of those contributions are credited to the Employers' valuation assets. In years past, the County designated up to 25% of its respective normal cost and employer offset annual contributions to the payment of the monthly medical allowance and Medicare Part B premium reimbursement to be recorded in a separate account (the 401(h) account) under the provisions of section 401(h) of the Internal Revenue Code. The designated amounts were determined by funding the post-retirement healthcare benefits on a pay-as-you-go basis. Upon receiving the County's 401(h) contribution, the Association would transfer an equal amount from the Health Reserve to the County Contribution Reserve (part of the Association's valuation assets) as a credit for the County's current-year contribution. Beginning on July 1 of Fiscal Year 2007-08, the funding mechanism changed. See *"Payment of the Annual Required Contribution for Post-Retirement Healthcare Benefits"* herein. Benefits paid to retirees from the 401(h) account are non-taxable.

Reporting Requirements Regarding Post-Retirement Benefits. In 2004, GASB issued two statements that address other post-employment benefits ("OPEB"), which are defined to include post-retirement healthcare benefits. GASB Statement No. 43, Financial Reporting for Post-employment Benefits Plans Other Than Pension Plans ("GASB 43") and GASB Statement No. 45, Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions ("GASB 45"), establish accounting and financial reporting standards for OPEB in a manner similar to those currently in effect for pension benefits. The provisions of GASB 43 focus on the entity that administers such benefits (the Association) while GASB 45 focuses on the employer's reporting requirements (the County). The Statements require an actuarial valuation to determine the funded status of benefits accrued, along with other required information to be disclosed by the Association and the County. The Retirement Board adopted and implemented the provisions of GASB 43 as part of the Association's comprehensive annual financial report for the Fiscal Year ended June 30, 2007. The County has included the required disclosures beginning with the County's comprehensive annual financial report for the Fiscal Year ended June 30, 2008. The requirements that GASB 45 imposes on the County only affect the County's financial statements and would not impose any requirements regarding the funding of any OPEB plans.

Valuation of the Association's Post-Retirement Healthcare Benefits. The Association's actuary conducted an OPEB valuation as of June 30, 2012 (the "2012 OPEB Valuation") with respect to the eligible retirees and the benefit levels set by the Association. The 2012 OPEB Valuation reflected a decrease in the actuarial accrued liability of $21.1 million from June 30, 2010. The 2012 OPEB Valuation also reflected an annual required contribution of 1.94% of payroll, which is an increase from the annual required contribution of 1.91% of payroll as of June 30, 2010, the date of the prior OPEB valuation. The change in the actuarial accrued liability and the annual required contribution are attributable to a decrease in liabilities due to updated discount and mortality rate assumptions. The annual required contribution in the 2012 OPEB valuation will be used to determine the contribution requirement for Fiscal Years 2013-14 and 2014-15. The assumptions used in the 2010 OPEB Valuation included an individual entry-age normal cost method, 8.00% investment rate of return and a separate declining 20-year basis starting June 30, 2007, amortized as a level dollar amount. The next OPEB valuation will be as of June 30, 2014 and then every two years thereafter. Any changes made by the Retirement Board to the assumed investment rate of return will apply to future OPEB valuations.

Table 13 below sets forth the historical funding status of the Association's OPEB and the historical employer contribution amounts.

TABLE 13
HISTORICAL FUNDING STATUS
FOR POST-RETIREMENT HEALTHCARE BENEFITS
Years Ended June 30, 2007 through 2012
($ in thousands)

Funding Progress

Valuation Date	Valuation Assets	AAL	UAAL	Funded Ratio	Annual Covered Payroll	UAAL as % of Covered Payroll
June 30, 2007	$ --[(1)]	$ 235,755	$ 235,755	0.0%	$ 1,020,991	21.2%
June 30, 2008	18,206	217,559	199,353	8.4	1,135,432	17.6
June 30, 2010	9,221	206,447	197,226	4.5	1,095,582	18.0
June 30, 2012	5,064	185,302	180,238	2.7	1,052,366	17.1

Employer Contributions

Year Ended	Annual Required Contribution	Contributions Made	Percentage of Required Contribution Made
June 30, 2008	$ 23,616	$ 23,616	100.0%
June 30, 2009	23,237	23,237	100.0
June 30, 2010	18,789	18,789	100.0
June 30, 2011	18,028	18,028	100.0
June 30, 2012	19,198	19,198	100.0

Source: The Association's Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2011 – Required Supplemental Information, citing the Segal Group, Inc. Biannual Actuarial Valuation; June 30, 2012 data from the County.

(1) Excludes $18.2 million available for benefits.

Payment of the Annual Required Contribution for Post-Retirement Healthcare Benefits. The County and other employers have determined to pay the ARC for OPEB as calculated by the Association's actuary. The payment of the ARC for OPEB is in addition to the Employers' regular pension contributions and is contingent upon the Association continuing to limit the retiree healthcare benefits to the Tier I and Tier II retirees and at levels no greater than were in effect on December 5, 2006, which are those benefit levels described under the caption "Post-Retirement Healthcare Benefits – General" herein. For the Fiscal Year ended June 30, 2012, the employers collectively paid $19.2 million to the Association for deposit into the 401(h) account, which satisfied the ARC for that year.

Historical Payments. Table 14 below sets forth the amounts for each of the ten years ended June 30, 2012 that the Association has paid to its members for post-retirement healthcare benefits.

TABLE 14
PAYMENTS FOR POST-RETIREMENT HEALTHCARE BENEFITS
Years Ended June 30, 2003 through 2012

Fiscal Year Ended June 30	Payments for Retiree Healthcare Benefits (in millions)
2003	20.0[1]
2004	26.4[1]
2005	32.6
2006	32.9
2007	35.3
2008	24.4[2]
2009	23.6
2010	23.3
2011	21.5
2012	20.2

Source: The Association.
(1) A portion of the indicated amounts are allocated to the administrative expenses related to the provision of the post-retirement healthcare benefits.
(2) Beginning with Fiscal Year 2007-08, healthcare benefits were paid from the 401(h) account, which had an available balance of $18.8 million on June 30, 2007 and received contributions from the employers of $23.6 million during that fiscal year.

Supplemental Pension Benefits

Beginning July 1 of Fiscal Year 2007-08, the Association stopped paying a non-taxable healthcare benefit to its previously eligible General Tier A retirees and Safety retirees covered by the 3% at age 50 benefit formula, and instead started paying to them a taxable pension supplement based on years of service. The source of these payments is the former Healthcare Reserve, which was converted to a Supplemental Benefit reserve. The supplemental benefit allowance (“SBA”) ranges from $200 per month (10 years of service) to $400 per month (20 or more years of service). During Fiscal Year 2011-12, a total of $21.4 million was paid from this reserve to Tier A retirees, leaving a balance in the reserve of $69.0 million on June 30, 2012 that is expected to provide for payments to eligible members through approximately 2017. In addition, the Association set aside $20.7 million in excess earnings from Fiscal Year 2006-07 to provide a taxable pension supplement to General Tier A members and Safety members covered by the 3% at age 50 benefit formula who retire because of a disability. Members who are granted a disability retirement and determined to be totally disabled are eligible for the maximum SBA ($400 per month) regardless of years of service. Members with less than 10 years of service credit who are granted a disability retirement and determined to be partially disabled are eligible for the minimum SBA ($200 per month). During Fiscal Year 2011-12, a total of $2.4 million was paid to these disability retirees, leaving a balance in the Disability Supplemental Benefit Allowance Reserve on June 30, 2012 of $9.5 million.

STAR COLA Benefits

General. The STAR COLA benefits provide retirees with additional cost-of-living adjustments. The Retirement Board's STAR COLA policy preserves 80% of a retiree's purchasing power calculated against when that retiree retired. The Retirement Law does not require the Association to provide any STAR COLA payments. In addition, in the opinion of County Counsel, the County has not entered into any collective bargaining agreements or other arrangements that require the County or the Association to maintain STAR COLA benefits.

Prefunding of STAR COLA Benefits. On August 2, 2007, the Retirement Board approved a permanent STAR COLA pre-funded supplemental cost-of-living increase benefit for eligible members. This action resulted in the transfer of the assets from the STAR COLA Reserve to valuation assets and the liability for the STAR COLA benefits for eligible members to be incorporated into the overall liabilities of the retirement fund. Eligible members are those whose accumulations equaled or exceeded 20 percent as of January 1, 2007. By this definition, eligible members are Tier 1 members who retired on or before March 31, 1982 and Tier II members who retired on or before March 31, 1989. The permanent STAR COLA benefit will be equal to the STAR COLA amount payable as of April 1, 2007 under the applicable laws. Effective April 1, 2008, this benefit is subject to the same cost-of-living increase paid by the Association on every April 1 up to 3% per annum.

Historical Practice and Payments. Prior to the August 2, 2007, Retirement Board action, the Retirement Board's historical practice had been to maintain an amount in the STAR COLA reserve that the Association's actuary estimated would be necessary to cover the costs of the STAR COLA benefits for current eligible retirees for five years. Each year, the Association's actuary prepared an estimate of the amounts necessary to be contributed to the STAR COLA reserve to meet this targeted level. For a discussion on actions of the Retirement Board with respect to the transfer of certain Excess Earnings to the Health Reserve and the STAR COLA reserve, see "County Financial Information – San Diego County Employees Retirement Association – Transfers of Investment Earnings by the Association" herein.

Table 15 below sets forth the amounts paid by the Association to retirees out of the STAR COLA reserve since 2001. The Association does not track either the Employer or the departments or funds of any Employer from which retired personnel receiving STAR COLA benefits, when in active service, were paid.

TABLE 15
PAYMENTS FROM STAR COLA RESERVE
Since Fiscal Year Ended June 30, 2001

Fiscal Year Ending June 30	Payments from STAR COLA Reserve (in millions)
2001	$ 8.2
2002	8.1
2003	7.2
2004	11.3
2005	11.0
2006	10.7
2007	10.4
since 2008(1)	0.0

Source: The Association.
(1) As a result of the restructuring of the STAR COLA Reserve effective with the June 30, 2007 Valuation Report, the STAR COLA Reserve has held no assets since Fiscal Year 2007-08 and the liability for STAR COLA benefits are incorporated into the overall liabilities of the retirement fund.

Pension Obligation Bonds

Introduction. The County has issued taxable pension obligation bonds ("POBs") from time to time and transferred the proceeds to the Association to reduce the UAAL existing at the time of issuance of the POBs. Under California law, the obligation to fund the UAAL by making actuarially required contributions is an obligation imposed by law. The effect of issuance of POBs is to finance that obligation and convert it from an obligation to make actuarially required contributions to an obligation to make interest and principal payments on bonds which are sold to the public.

County Pension Obligation Bonds. In February 1994, the County issued $430,430,000 in principal amount of POBs (the "1994 POBs") and in October 2002 the County issued an additional $737,340,000 in principal amount of POBs (the "2002 POBs"), in part to refund a portion of the 1994 POBs. In June 2004, the County issued $454,112,915.70 in principal amount of POBs (the "2004 POBs"). The County has contributed to the Association an aggregate amount of $1,428,500,000 from the issuance of the 1994 POBs, the 2002 POBs and the 2004 POBs to reduce the UAAL. On August 15, 2007, the County prepaid in full all of the $100 million Series 2002C PINES and on February 15, 2008, the County prepaid $20 million of the Series 2002B-1 POBs (herein defined) with available cash, these two prepayments resulted in over approximately $7.5 million of annual interest savings to the County. In August 2008, the County prepaid $44 million of its Series 2002B-1 POBs, which resulted in approximately $3.06 million of annual interest savings to the County. On August 7, 2008, the County issued $443,515,000 aggregate principal amount of Taxable Pension Obligation Bonds, Series 2008A (the "2008A POBs") and Series 2008B (Variable Rate Demand Obligations) (the "2008B POBs" and, together with the 2008A POBs, the "2008 POBs"). The proceeds of the 2008 POBs were used to refund all of the then-outstanding 2002 B1-B4 POBs that were originally issued as auction rate securities (the "2002B POBs"). On July 1, 2009, the County prepaid in full all of the $100 million Series 2008B POBs, which resulted in approximately $4.5 million of annual interest savings. As of May 1, 2013, the County had POBs outstanding in the aggregate principal amount of $770.1 million. The County may, from time to time, finance all or a portion of the UAAL employer contributions through the additional issuances of POBs. The County has no variable rate POBs outstanding. See "County Financial Information – General Obligation Debt, Pension Obligation Bonds, Lease Obligations and Long-Term Loans" herein.

Pension Related Payments and Obligations

Payments. Table 16 below sets forth the estimated Employer Contributions, Employer Offsets and POB debt service for Fiscal Years 2013 through 2021. The estimates and related assumptions are "forward-looking" in nature and are not to be construed as representations of fact or representations that in fact the various estimates shown will be the correct amounts for the years indicated. Rather, these reflect good faith estimates by the County taking into account a variety of assumptions, a number of which are discussed herein. Accordingly, prospective investors are cautioned to review these estimates as general indications of orders of magnitude and not as precise amounts.

TABLE 16
PENSION RELATED PAYMENTS
Fiscal Years Ended June 30, 2013 through 2021
(In Millions)

Fiscal Year	Employer Contributions[1]	Employer Offsets[2]	County Pension Obligation Bonds Debt Service[3]	Total
2013[4]	$ 327.0	$ 42.0	$ 81.4	$ 450.4
2014[4]	360.0	43.0	81.4	484.4
2015[4]	421.0	45.0	81.4	547.4
2016[4]	439.0	47.0	81.4	567.4
2017[4]	454.0	49.0	81.3	584.3
2018[4]	470.0	51.0	81.4	602.4
2019[4]	485.0	53.0	81.4	619.4
2020[4]	499.0	56.0	81.4	636.4
2021[4]	512.0	58.0	81.4	651.4

Source: The Segal Company; County of San Diego.

(1) These contribution amounts reflect the aggregate contribution amount of all Employers and not only that of the County. The County share of Employer Contributions and Employer Offsets are estimated to be approximately 91% based on the estimated relative percentage of payroll of the County for Fiscal Year 2011-12. See "County Financial Information – San Diego County Employees' Retirement Association – General" herein.

(2) Employer Offsets reflect negotiated offset savings in the current bargaining agreements, which are reflected in the County's Fiscal Year 2012-13 Adopted Budget and the County's Fiscal Year 2013-14 Preliminary Budget estimates.

(3) Consists of regular principal and interest payments. Prepayment amounts are allocated to the fiscal years in which the associated principal and interest payments are due.

(4) Estimated. The amounts indicated are subject to the same assumptions as set forth in footnotes (1) through (3) to the "Prospective Funding Status of the Association" table herein.

Pension-Related Obligations. Table 17 below sets forth the estimated UAAL and expected outstanding principal amounts of POBs for the years indicated, assuming no additional POBs are issued and the outstanding POBs mature on their respective amortization schedules. The estimates contained in Table 17 and the related assumptions are "forward-looking" in nature and are not to be construed as representations of fact or representations that in fact the various estimates shown will be the correct amounts for the years indicated. Rather, these reflect good faith estimates by the County taking into account a variety of assumptions, a number of which are discussed herein. Accordingly, prospective investors are cautioned to review these estimates as general indications of orders of magnitude and not as precise amounts.

TABLE 17
COUNTY PENSION RELATED OBLIGATIONS
Fiscal Years Ended June 30, 2013 through 2021
(In Millions)

Fiscal Year	UAAL[1]	Outstanding Pension Obligation Bonds[2]	Total Outstanding Obligations
2013	$ 1,940	$ 770.5	$ 2,710.5
2014	2,432	732.3	3,164.3
2015	2,832	692.3	3,524.3
2016	2,561	649.9	3,210.9
2017	2,534	605.5	3,139.5
2018	2,256	558.5	2,814.5
2019	2,168	508.8	2,676.8
2020	2,064	456.0	2,520.0
2021	2,055	400.1	2,455.1

Source: The Segal Company; County of San Diego.

(1) Estimated. The UAAL information is based on the UAAL as reported in the actuarial valuation dated as of the end of the second preceding year ended June 30, which is the amount that impacts the Employer Required Contribution and Employer Offsets in any given fiscal year. The amounts indicated are subject to the same assumptions as set forth in footnote (1) to the "Prospective Funding Status of the Association" table herein.

(2) Includes a portion of the 2004 POBs issued as capital appreciation bonds (the "CABs"), for which interest accretes semiannually on February 15 and August 15, but is not payable until the final maturity of each respective capital appreciation bond. The initial total issuance amount of the CABs was $64,927,915.70, which will accrete to a total maturity value of $100,170,000 over the respective maturity dates commencing August 15, 2009 and ending August 15, 2015.

Accounting and Financial Reporting Standard. In 2012, GASB issued Statement No. 68, Accounting and Financial Reporting for Pensions ("GASB 68"), along with GASB 67 (see "San Diego County Employees Retirement Association – Financial Standard Reporting" herein). GASB 68 revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits, including the County. GASB 68, among other things, requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability and provides greater guidance on measuring the annual costs of pension benefits, including specific guidelines on projecting benefit payments, use of discount rates and use of the "entry age" actuarial cost method. GASB 68 also addresses accountability and transparency through revised and new note disclosures and required supplementary information. The provisions in GASB 68 are effective for fiscal years beginning after June 15, 2014. The County anticipates complying with the provisions of GASB 68 by its effective date.

Risk Management

The County is required to obtain and maintain general liability insurance and workers' compensation insurance under various types of its financing lease obligations. These financing leases generally require general liability insurance to be issued by a responsible carrier or be in the form of self-insurance or self-funding to cover claims for damages including death, personal injury, bodily injury, or property damage arising from operations involving the facilities covered by such leases, affording protection with a combined single limit loss of not less than $5,000,000 per occurrence with respect to bodily injury, death or property damage liability. In addition, these financing leases generally require the County to obtain and maintain workers' compensation insurance issued by a responsible carrier or in the form of self-insurance or self-funding for all persons provided coverage by the County for workers' compensation benefits in connection with the facilities covered by such leases and to cover full liability for compensation under the labor code requiring workers' compensation. Any self-insurance or self-funding for these risks is subject to certain conditions, including, but not limited to, providing evidence of self-insurance and annual certification to the trustee with respect to such financing leases by an authorized representative of the County's risk management division or an independent insurance consultant of the sufficiency of coverage. Appropriation of such funds as may be necessary for self-funding, are made by the County.

The County operates a Risk Management Program, whereby it is self-insured for general liability, medical malpractice, automobile liability, and workers' compensation. The County purchases insurance coverage for all risk property losses, government crime insurance, including employee dishonesty and faithful performance, airport comprehensive liability, and aircraft hull and liability insurance. The amount of coverage varies depending on the type of policy. Settlements in the areas covered have not exceeded insurance coverage for each of the past three fiscal years. The County allocates the cost of providing claims service to all its operating funds as a "premium" charge expressed as a percentage of payroll, claim history and other factors as outlined in the California State Controllers' Cost Plan Procedures Manual. In accordance with Government Accounting Standards Board Statement 10, "Accounting and Financial Reporting for Risk Financing and Relating Insurance Items," the County established two Internal Service Funds, the Public Service Liability Fund and the Employee Benefits Internal Service Fund to report all of its uninsured risk management activities. Risk management liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Actuarial evaluations were obtained which determine estimates of known and projected general liability and workers compensation claim liabilities. These evaluations include estimates for claims incurred but not reported; allocated and unallocated loss adjustment expenses; and amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims. At June 30, 2012, these liabilities discounted for anticipated investment return (public liability of 1% and workers' compensation of 3%), totaled $138.8 million, including $25.8 million in public liability and $113.0 million in workers' compensation. The June 30, 2012 available cash balances for the Internal Service Funds were $142.5 million.

The County will continue to purchase excess workers' compensation insurance for Fiscal Year 2013-14. The County does not carry excess liability insurance at this time.

Litigation

There is no pending litigation that would materially impact the ability for the County to pay its obligations.

Short-Term Borrowing

In July 2012, the County issued its Tax and Revenue Anticipation Note Program Note Participations, Series 2012 (the "2012 TRANs") on behalf of itself and certain school districts within the County in an aggregate principal amount of $176,060,000, of which $50,000,000 represent notes issued by the County. The 2012 TRANs mature on June 28, 2013. The 2012 TRANs were issued for the purpose of financing seasonal cash flow requirements for general fund expenditures.

General Obligation Debt, Pension Obligation Bonds, Lease Obligations and Long-Term Loans

The County has no outstanding general obligation bonds. As of May 1, 2013, the County had POBs outstanding in the aggregate principal amount of $770.1 million. Starting with the financing of the El Cajon Administrative Building in 1955, the County has made use of various lease arrangements with joint powers authorities, a nonprofit corporation, a redevelopment agency and private parties to finance capital project needs. Under these arrangements, the financing entity usually constructs or acquires capital assets with the proceeds of lease revenue bonds ("LRBs") or certificates of participation ("COPs") and then leases the asset or assets to the County. As of May 1, 2013, the County had LRBs and COPs outstanding in the aggregate principal amount of $399.8 million. As of May 1, 2013, there were approximately $1.17 billion aggregate principal amount of long-term general fund obligations outstanding. The annual long-term lease payments and annual debt service payments on the LRBs, COPs and POBs of the County aggregate to approximately $120.1 million for Fiscal Year 2013-14. Debt service on the aforementioned obligations and evidences of indebtedness are paid from amounts in the County's General Fund, a portion of which is reimbursed with amounts from various other revenue sources. The County has no outstanding variable rate obligations and does not have an outstanding liquidity facility in support of payment of any of its outstanding bonds payable from general fund revenues. See "County Financial Information – Pension Obligation Bonds" herein.

Table 18 below sets forth a summary of long-term obligations payable from the General Fund:

TABLE 18
COUNTY OF SAN DIEGO
SUMMARY OF LONG-TERM BONDED OBLIGATIONS
PAYABLE FROM THE GENERAL FUND
As of May 1, 2013
($ In Thousands)

	Interest Rates	Final Maturity Dates	Original Principal Amounts	Principal Amounts Outstanding
Certificates of Participation and Lease Revenue Bonds				
San Diego County Capital Asset Leasing Corporation ("SANCAL"):				
2005 RCS Refunding, issued February 2005	3.00-5.00%	2019	$ 28,885	$ 8,710
2005 Edgemoor, issued February 2005	3.00-5.00%	2030	83,510	69,215
2005 North and East County Justice Facility Refunding, issued September 2005	3.25-5.00%	2019	28,210	16,140
2006 Edgemoor Completion Project, issued December 2006	4.00-5.00%	2030	42,390	36,985
2009 Justice Facilities Refunding, issued October 2009	2.00-5.00%	2025	80,940	61,600
2011 CAC Waterfront Park, issued August 2011	3.00-5.13%	2042	32,665	32,090
2012 Cedar and Kettner Development Project, issued October 2012	2.00-5.00%	2042	29,335	29,335
Total SANCAL			$ 325,935	$ 254,075
San Diego Regional Building Authority (SDRBA):				
2009 COC Phase 1A, issued February 2009	3.00-5.375%	2036	136,885	130,530
2011 MTS Tower Refunding, issued May 2011	1.00-5.00%	2019	19,260	15,175
Total SDRBA			$ 156,145	$ 145,705
Total Certificates of Participation and Lease Revenue Bonds			$ 482,080	$ 399,780
Taxable Pension Obligation Bonds:				
County of San Diego Pension Obligation Bonds, issued October 2002				
Series A	3.88-4.95%	2015	$ 132,215	$ 51,990
County of San Diego Pension Obligation Bonds, issued June 2004				-
Series A	3.28-5.87%	2022	241,360	212,870
Series B1, B2	5.91%	2024	147,825	147,825
Series C(1)	4.66-5.76%	2015	64,928	45,225
Less Unaccreted Value			-	(3,313)
County of San Diego Pension Obligation Bonds, issued August 2008				
Series A	3.33-6.03%	2027	343,515	315,545
Total Pension Obligation Bonds			$ 929,843	$ 770,142
Total General Fund Long-Term Bonded Obligations			$ 1,411,923	$ 1,169,922

(1) Issued as capital appreciation bonds (the "CABs"), for which interest accretes semiannually on February 15 and August 15, but is not payable until the final maturity of each respective capital appreciation bond. The initial total issuance amount of the CABs was $64,927,915.70, which will accrete to a total maturity value of $100,170,000 over the respective maturity dates commencing August 15, 2009 and ending August 15, 2015.

Source: The County of San Diego Auditor and Controller.

Table 19 below sets forth a summary of outstanding principal and interest payments attributable to long-term obligations payable from the County General Fund. Funds for all principal and interest payments due throughout the fiscal year are deposited with the applicable trustee at the beginning of the fiscal year on July 5 or, if July 5 is not a business day, the first business day after July 5.

TABLE 19
COUNTY OF SAN DIEGO
SUMMARY OF OUTSTANDING PRINCIPAL AND INTEREST PAYMENTS ATTRIBUTABLE TO LONG-TERM OBLIGATIONS PAYABLE FROM THE GENERAL FUND
(as of May 1, 2013)

	Certificates of Participation and Lease Revenue Bonds											Pension Obligation Bonds				
Fiscal Year	**1993 Master Refunding**	**2005 RCS Refunding**	**2005 Edgemoor**	**2005 North & East**	**2006 Edgemoor**	**2009 COC Phase 1A**	**2009 Justice Facilities Refunding**	**2011 MTS Tower Refunding**	**2011 CAC Waterfront Park**	**2012 CAC Develop-ment**	**Subtotal**	**2002 Pension Obligation Bonds**	**2004 Pension Obligation Bonds**	**2008 Pension Obligation Bonds**	**Subtotal**	**Total General Fund Obligation**
2013	$3,906,875	$2,960,350	$6,136,900	$2,716,725	$3,131,983	$9,876,594	$9,591,325	$2,715,000	$2,094,250	$ 290,899	$43,420,900	$20,438,748	$36,715,701	$24,263,767	$81,418,216	$124,839,116
2014	0	2,962,350	6,136,150	2,724,563	3,134,783	9,874,844	7,377,475	2,668,250	2,092,000	1,664,625	38,635,039	20,438,346	38,210,701	22,763,875	81,412,922	120,047,961
2015	0	1,433,400	6,139,600	2,719,113	3,135,183	9,876,944	7,343,450	2,718,400	2,094,300	1,662,925	37,123,314	17,656,527	39,741,424	24,013,656	81,411,606	118,534,920
2016	0	1,427,750	6,140,750	2,722,300	3,132,683	9,874,744	7,341,375	2,650,000	2,091,000	1,665,075	37,045,676	17,656,443	41,337,148	22,420,907	81,414,497	118,460,173
2017	0	1,429,000	6,138,000	2,721,125	3,131,433	9,877,144	7,333,238	2,678,800	2,092,250	1,661,625	37,062,614	0	42,965,099	38,373,607	81,338,705	118,401,319
2018	0	1,427,250	6,138,000	2,719,000	3,136,183	9,878,744	7,329,625	2,693,000	2,092,900	1,661,425	37,076,126	0	44,717,296	36,694,015	81,411,311	118,487,437
2019	0	1,417,500	6,140,250	2,720,875	3,136,433	9,877,644	6,474,375	2,694,875	2,091,300	1,665,225	36,218,476	0	46,507,149	34,906,405	81,413,555	117,632,031
2020	0	0	6,139,250	2,721,375	3,132,183	9,875,044	6,474,000	1,347,875	2,092,200	1,662,825	33,444,751	0	48,369,669	33,038,654	81,408,323	114,853,074
2021	0	0	6,139,750	0	3,133,183	9,878,444	6,472,125	0	2,093,400	1,662,325	29,379,226	0	50,283,425	31,128,216	81,411,642	110,790,868
2022	0	0	6,136,250	0	3,135,983	9,876,569	6,467,500	0	2,093,400	1,662,525	29,372,226	0	52,322,691	29,085,382	81,408,073	110,780,299
2023	0	0	6,138,500	0	3,135,033	9,874,869	6,147,125	0	2,092,550	1,661,525	29,049,601	0	54,439,051	26,892,208	81,331,260	110,380,861
2024	0	0	6,135,750	0	3,135,258	9,876,394	4,171,625	0	2,091,800	1,661,275	27,072,101	0	56,663,519	24,750,780	81,414,299	108,486,400
2025	0	0	6,137,750	0	3,136,445	9,874,644	4,160,250	0	2,092,600	1,662,475	27,064,164	0	58,942,024	22,478,030	81,420,054	108,484,218
2026	0	0	6,138,750	0	3,133,383	9,874,813	2,916,125	0	2,092,000	1,662,275	25,817,345	0	0	81,415,400	81,415,400	107,232,745
2027	0	0	6,138,250	0	3,136,070	9,878,438	0	0	2,092,688	1,660,675	22,906,120	0	0	67,113,947	67,113,947	90,020,067
2028	0	0	6,135,750	0	3,133,813	9,877,625	0	0	2,091,675	1,662,675	22,901,535	0	0	0	0	22,901,535
2029	0	0	6,140,750	0	3,136,438	9,875,106	0	0	2,091,450	1,662,975	22,906,719	0	0	0	0	22,906,719
2030	0	0	6,137,250	0	3,133,500	9,878,706	0	0	2,094,200	1,661,100	22,904,756	0	0	0	0	22,904,756
2031	0	0	0	0	0	9,877,506	0	0	2,089,200	1,663,288	13,629,994	0	0	0	0	13,629,994
2032	0	0	0	0	0	9,874,700	0	0	2,089,575	1,663,025	13,627,300	0	0	0	0	13,627,300
2033	0	0	0	0	0	9,876,200	0	0	2,092,819	1,660,225	13,629,244	0	0	0	0	13,629,244
2034	0	0	0	0	0	9,875,663	0	0	2,092,731	1,663,356	13,631,750	0	0	0	0	13,631,750
2035	0	0	0	0	0	9,877,013	0	0	2,089,313	1,664,856	13,631,181	0	0	0	0	13,631,181
2036	0	0	0	0	0	9,878,906	0	0	2,092,563	1,659,725	13,631,194	0	0	0	0	13,631,194
2037	0	0	0	0	0	0	0	0	2,091,969	1,663,144	3,755,113	0	0	0	0	3,755,113
2038	0	0	0	0	0	0	0	0	2,092,531	1,659,750	3,752,281	0	0	0	0	3,752,281
2039	0	0	0	0	0	0	0	0	2,093,994	1,663,000	3,756,994	0	0	0	0	3,756,994
2040	0	0	0	0	0	0	0	0	2,091,100	1,664,188	3,755,288	0	0	0	0	3,755,288
2041	0	0	0	0	0	0	0	0	2,088,850	1,668,313	3,757,163	0	0	0	0	3,757,163
2042	0	0	0	0	0	0	0	0	2,091,988	1,665,188	3,757,176	0	0	0	0	3,757,176
Total	$3,906,875	$13,057,600	$110,487,650	$21,765,076	$56,419,970	$237,037,298	$89,599,613	$20,166,200	$62,762,596	$48,512,507	$663,715,370	$76,190,064	$611,214,897	$519,338,849	$1,206,743,810	$1,870,459,180

Source: County of San Diego.

Anticipated Capital Financings

A Capital Improvements Needs Assessment ("CINA") is prepared and presented annually to the Board of Supervisors to guide the development of both immediate and long-term capital projects. The CINA includes a comprehensive list of all current and anticipated capital projects over a five-year period. Capital projects are considered during the annual budget process unless the Board of Supervisors or the CAO recommends mid-year adjustments to the budget as circumstances warrant to meet emergent needs or to benefit from unusual developments or purchase opportunities. The Fiscal Year 2013-2018 CINA was approved on April 23, 2013. It includes $642.0 million in currently approved and active projects, $15.2 million in recently completed projects and $684.4 million in partially funded and unfunded priority major and minor capital projects over the five-year time-frame of the CINA, including the Project described in the forepart of this Official Statement. All of the other projects included in the current CINA will be funded with alternative sources of revenue; debt financing is not anticipated for such projects.

Long-Term Financial Obligation Management Policy

In 1998, the County adopted a long-term financial strategy and policy (as amended, the "Long-Term Financial Obligation Management Policy") to ensure sound financial management practices with respect to County or County-related obligations whose terms exceed one fiscal year (excluding leases in which payments are not securitized). Pursuant to the Long-Term Financial Obligation Management Policy, a Debt Advisory Committee ("DAC") consisting of the Chief Financial Officer, the Auditor and Controller and the Treasurer-Tax Collector and established by the Chief Administrative Office, reviews proposed financings. DAC approval is required prior to consideration of a financing by the Board of Supervisors. The Long-Term Financial Obligation Management Policy requires that prior to any recommendation by DAC to move forward with a long-term financial obligation, there shall be an assessment of the ability to repay the obligation, identification of the funding source of repayment, evaluation of the impact of the ongoing obligation on the current budget and future budgets, assessment of the maintenance and operational requirements of the project to be financed, and consideration of the impact on the County's credit rating. The Long-Term Financial Obligation Management Policy also provides for the filing of notices of completion on all projects within five years of their financing, continuous review of outstanding obligations for economically feasible and advantageous refinancing opportunities and the periodic reporting of unspent capital project funds through quarterly or year-end budget reports. The Long-Term Financial Obligation Management Policy prohibits the use of long-term financial obligations to fund current operations or for recurring purposes, and the issuance of variable rate obligations in excess of 15% of the County's outstanding long-term obligations. Recently, the County's practice of using 5% of General Fund revenue as a not-to-exceed guideline for annual debt service requirements in long-term planning has been formalized and incorporated into the Long-Term Financial Obligation Management Policy. Exceptions to the provisions of the Long-Term Financial Obligation Management Policy are permitted in extraordinary conditions.

Swap Policy

In 2004, the DAC approved an Interest Rate Swap Policy (the "Swap Policy") establishing guidelines for the execution and management of the County's use of interest rate and other swaps and other similar products (the transactions involving such products being referred to herein as "Swap Transactions"). The Swap Policy is reviewed, and updated as necessary, annually by the DAC. The County may integrate Swap Transactions into its overall debt and investment management programs in a prudent manner to, among other things, enhance the relationship between risk and return with respect to debt or investments, achieve significant savings as compared to products available in the cash market, provide a higher level of savings, lower level of risk, greater flexibility, or other direct benefits not available in the cash market and achieve more flexibility in meeting overall financial objectives than can be achieved in conventional markets, all in accordance with the parameters set forth in the Swap Policy and consistent with the County's overall long-term financial obligation management policy. Pursuant to the Swap Policy, the total notional amount of all Swap Transactions executed by the County shall not exceed 30% of the outstanding principal of the County's long-term debt obligations at the time of execution. The County has no outstanding Swap Transactions.

Overlapping Debt and Debt Ratios

Table 20 sets forth a direct and overlapping debt report (the "Debt Report") prepared by California Municipal Statistics Inc. and dated as of April 1, 2013. The Debt Report is included for general information purposes only. The County has not reviewed the Debt Report for completeness or accuracy and makes no representations in connection therewith. The Debt Report does not include the 2013 Note Participations described in the forepart of this Official Statement.

The Debt Report generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of the County in whole or in part. Such long-term obligations generally are not payable from revenues of the County (except as indicated) nor are they necessarily obligations secured by land within the County. In many cases, long-term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency.

TABLE 20
COUNTY OF SAN DIEGO
ESTIMATED DIRECT AND OVERLAPPING BONDED DEBT
(As of April 1, 2013)

2012-13 Assessed Valuation:$382,126,855,240 (includes unitary utility valuation)

OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 4/1/13
Metropolitan Water District	17.579%	$ 29,020,292
Grossmont-Cuyamaca Community College District	100.	182,648,154
Palomar Community College District	100.	318,573,901
San Diego Community College District	100.	933,048,037
Southwestern Community College District	100.	235,884,345
Carlsbad Unified School District	100.	196,283,894
Oceanside Unified School District	100.	230,939,327
Poway Unified School District SFID Nos. 2002-1 and 2007-1	100.	347,663,406
San Diego Unified School District	100.	1,836,008,695
San Marcos Unified School District	100.	215,540,017
Vista Unified School District	100.	119,154,882
Other Unified School Districts	100.	15,377,146
Grossmont Union High School District	100.	406,100,095
Sweetwater Union High School District	100.	361,299,415
Other Union High School Districts	100.	111,453,297
Cajon Valley Union School District	100.	127,233,107
Chula Vista City School District	100.	66,405,000
San Ysidro School District	100.	126,152,611
Other School Districts	100.	338,792,287
Otay Municipal Water District	100.	6,235,000

(Continued on next page.)

(Continued from prior page.)

Cities	100.	104,570,000	
Grossmont Healthcare District	100.	221,337,076	
Palomar Pomerado Hospital District	100.	477,631,555	
Community Facilities Districts	100.	1,617,556,853	
1915 Act Bonds (Estimated)	100.	120,824,707	
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT		$8,745,733,099	
DIRECT AND OVERLAPPING GENERAL FUND DEBT:	% Applicable	Debt 4/1/13	
San Diego County General Fund Obligations	**100. %**	**$ 399,780,000**	
San Diego County Pension Obligations	**100.**	**753,897,748**	(1)
San Diego County Superintendent of School Obligations	100.	17,462,500	
Community College District Certificates of Participation	100.	10,405,000	
San Marcos Unified School District Certificates of Participation	100.	55,483,327	
Other Unified School District Certificates of Participation	100.	118,868,351	
High School District Certificates of Participation	100.	82,932,500	
Chula Vista City School District Certificates of Participation	100.	143,480,000	
Other School District Certificates of Participation	100.	118,377,234	
Otay Municipal Water District Certificates of Participation	100.	56,245,000	
City of Chula Vista General Fund Obligations	100.	128,375,000	
City of Escondido General Fund Obligations	100.	42,112,098	
City of San Diego General Fund Obligations	100.	542,320,000	
City of Vista General Fund Obligations	100.	114,310,000	
Other City General Fund Obligations	100.	215,855,000	
Special District Certificates of Participation	100.	11,780,000	
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT		$2,811,683,758	
Less: Otay Municipal Water District Certificates of Participation (100% supported)		56,245,000	
City of El Cajon General Fund Obligations supported by sales tax revenues		22,255,000	
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT		$2,733,183,758	
OVERLAPPING TAX INCREMENT DEBT:		$1,673,529,809	
GROSS COMBINED TOTAL DEBT		$13,230,946,666	(2)
NET COMBINED TOTAL DEBT		$13,152,446,666	

(1) Excludes issue to be sold.
(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Ratios to 2012-13 Assessed Valuation:
Total Overlapping Tax and Assessment Debt...............2.29%
Combined Direct Debt ($1,153,677,748).....................0.30%
Gross Combined Total Debt 3.46%
Net Combined Total Debt..3.44%

Ratios to Redevelopment Incremental Valuation ($38,829,202,875):
Total Overlapping Tax Increment Debt........................4.31%

Source: California Municipal Statistics, Inc.

SAN DIEGO COUNTY INVESTMENT POOL

General

The following information concerning the Treasury Pool of San Diego County (the "Treasury Pool") has been provided by the Treasurer. No representation is made herein as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof, or that the information contained or incorporated hereby by reference is correct as of any time subsequent to its date.

The County is required to invest funds in accordance with California Government Code Sections 53635 et seq. In addition, counties are required to establish their own investment policies which may impose limitations beyond those required by the Government Code. All investments in the Treasurer's investment portfolio conform to the statutory requirements of Government Code Section 53635 et seq., authorities delegated by the County Board of Supervisors and the Treasurer's investment policy. Pursuant to a resolution adopted July 8, 1958, the Board of Supervisors delegated to the County Treasurer the authority to invest and reinvest funds of the County. Applicable law limits this delegation of authority to a one-year period and must be renewed annually by action of the Board of Supervisors. In addition to funds of the County (and the various departments in the County, such as Public Works and Public Administration), funds of certain local agencies within the County, including school districts in the County, are required under state law to be deposited into County treasury ("Involuntary Depositors"). In addition, certain agencies, including community college districts, invest certain of their funds in the County treasury on a voluntary basis ("Voluntary Depositors" and together with the Involuntary Depositors, the "Depositors"). Deposits made by the County and the various local agencies are commingled in a pooled investment fund (the "Treasury Pool" or the "Pool"). No particular deposits are segregated for separate investment.

Under State law, Depositors in the Pool are permitted to withdraw funds which they have deposited on 30 days notice. The County does not expect that the Pool will encounter liquidity shortfalls based on its current portfolio and investment guidelines or realize any losses that may be required to be allocated among all Depositors in the Pool.

The County has established an Oversight Committee pursuant to State law. The 11 members of the Oversight Committee include the County Treasurer, the Auditor and Controller, members of the public, and a representative from a special district and a school district. The role of the Oversight Committee is to review and monitor the Investment Policy that is prepared by the County Treasurer.

Treasury Pool's Portfolio

As of April 30, 2013, the securities in the Treasury Pool had a market value of $7,422,326,080 and a book value of $7,407,731,023 for a net unrealized gain of $14,595,057.

The effective duration for the Treasury Pool was 0.610 years as of April 30, 2013. The duration is a measure of the price volatility of the portfolio and reflects an estimate of the projected increase or decrease in the value of the portfolio based upon a decrease or increase in interest rates. A duration of 0.610 means that for every one percent increase in interest rates the market value of the portfolio would decrease by 0.610%.

As of April 30, 2013, approximately 8.20% of the total funds in the Pool were deposited by Voluntary Depositors, such as cities and fire districts, 7.73% by community colleges, 42.64% by the County, 4.49% by the Non-County and 36.94% by K-12 school districts.

Standard & Poor's Rating Group maintains ratings of "AAAf" (extremely strong protection against losses and credit defaults) and "S-1" (low sensitivity to changing market conditions) on the Pool. The ratings reflect only the view of the rating agency and any explanation of the significance of such ratings may be obtained from such rating agency as follows: Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business, 55 Water Street, New York, New York 10041.

Investments of the Treasury Pool

Authorized Investments

Investments of the Pool are placed in those securities authorized by various sections of the California Government Code, which include obligations of the United States Treasury, Agencies of the United States Government, local and State bond issues, bankers acceptances, commercial paper of prime quality, certificates of deposit (both collateralized and negotiable), repurchase and reverse repurchase agreements, medium term corporate notes, shares of beneficial interest in diversified management companies (mutual funds), and asset backed (including mortgage related) and pass-through securities. Generally, investments in repurchase agreements cannot exceed a term of one year and the security underlying the agreement shall be valued at 102% or greater of the funds borrowed against the security and the value of the repurchase agreement shall be adjusted no less than quarterly. In addition, reverse repurchase agreement generally may not exceed 20% of the base value of the portfolio and the term of the agreement may not exceed 92 days. Securities lending transactions are considered reverse repurchase agreements for purposes of this limitation. Base Value is defined as the total cash balance excluding any amounts borrowed (*i.e.*, amounts obtained through selling securities by way of reverse repurchase agreements or other similar borrowing methods).

Legislation which would modify the currently authorized investments and place restrictions on the ability of municipalities to invest in various securities is considered from time to time by the California State Legislature. Monies in the Pool will be invested in compliance with California Government Code and the County's Investment Policy (the "Investment Policy").

The Investment Policy

The Investment Policy currently states the primary goals of the County Treasurer when investing public funds to be as follows: the primary objective is to safeguard the principal of the funds under the County Treasurer's control, the secondary objective is to meet the liquidity needs of the Pool Participants, and the third objective is to achieve an investment return on the funds under the control of the County Treasurer within the parameters of prudent risk management. The Investment Policy contains a goal that 50% of the Pool should be invested in securities maturing in one year or less, with the remainder of the portfolio being invested in debt securities with maturities spread over more than one year to five years. Furthermore, at least 25% of the securities must mature within 90 days. The maximum effective duration for the Pool shall be 1.50 years.

With respect to reverse repurchase agreements, the Investment Policy provides for a maximum maturity of 92 days (unless the reverse repurchase agreement includes a written guarantee of a minimum earning or spread for the entire period of such agreement) and a limitation on the total amount of reverse repurchase agreements and/or securities lending agreements to 20% of the total investments in the Pool. The Investment Policy states that the purpose of reverse repurchase agreements shall be to invest the proceeds from the agreement into permissible securities that have the highest short-term credit ratings; to supplement the yield on securities owned by the Pool; or to provide funds for the immediate payment of an obligation. The maturity of the reverse repurchase agreement and the maturity of the security purchased shall be the same.

The County from time to time has engaged in securities lending transactions. Generally, these transactions involve the transfer by the governmental entity, through an agent, of securities to certain broker-dealers and financial institutions or other entities in exchange for collateral, and this collateral may be cash or securities. Most commonly, these transactions provide for the simultaneous return of the collateral to the securities borrower upon receipt of the same securities at a later date. Presently, the County has suspended its securities lending transactions program, but may decide to enter into a securities lending agreement in the future. Any such securities lending transactions are considered reverse repurchase agreements under the Investment Policy and, accordingly, the total principal amount of reverse repurchase agreements and securities lending agreements may not exceed 20% of the Pool. Since the inception of the County's securities lending program in 1987, there has not been any loss of principal to the Pool resulting from these securities lending transactions or the investment of the related collateral.

The Investment Policy also authorizes investments in covered call options and put options, which are options that the Treasurer sells to a third party the right to buy an existing security in the Pool or sell a security to the Pool, both at a specific price within a specific time period. Under the Investment Policy, securities subject to covered calls are not to be used for reverse repurchase agreements; cash sufficient to pay for outstanding puts are to be invested in securities maturing on or before the expiration date of the option; the maximum maturity of a covered call option/put option is to be 90 days and not more than 10% of the total investments in the Pool could have options written against them at any given time.

Beginning early August 2007, the Pool halted all investment in asset-backed commercial paper and has no plans to resume investment in this type of security until the current credit crisis has passed. Further, the Pool is not invested in any structured investment vehicles and has never invested in collateralized debt obligations.

In order to limit exposure to credit risk, the Pool has limited purchases of corporate securities to maturities up to 90 days. All investments in the Treasurer's investment portfolio conform to the statutory requirements of Government Code Section 53635 et seq., authorities delegated by the Board of Supervisors and the Treasurer's investment policy.

Certain Information Relating to Pool

Table 21 below reflects information with respect to the Pool as of the close of business April 30, 2013. As described above, a wide range of investments is authorized by state law. Investments mature and trading activity is constant. Therefore, there can be no assurances that the investments in the Pool will not vary significantly from the investments described below. In addition, the value of the various investments in the Pool will fluctuate on a daily basis as a result of a multitude of factors, including generally prevailing interest rates and other economic conditions. Therefore, there can be no assurance that the values of the various investments in the Pool will not vary significantly from the values described below. In addition, the values specified in the following table were based upon estimates of market values provided to the County by a third party. Accordingly, there can be no assurance that if these securities had been sold on April 30, 2013, the Pool necessarily would have received the values specified.

TABLE 21
TREASURER-TAX COLLECTOR
SAN DIEGO COUNTY PORTFOLIO STATISTICS[1]
(As of April 30, 2013)

	Percent of Portfolio	Weighted Average Maturity	Weighted Average Coupon	Yield to Maturity[2]	Current Par/Share	Book Value	Market Price	Market Value	Accrued Interest	Yield to Worst[3]	Unrealized Gain/Loss
Certificates of Deposit	0.87 %	151	151	0.30%	$ 64,713,000	$ 64,713,000	1.000	$ 64,713,000	$ 2,975	0.30%	$ 0
Commercial Paper	20.69	39	39	0.14	1,533,000,000	1,532,767,603	1.000	1,532,694,964	0	0.14	(72,639)
Fannie Mae	14.54	961	674	0.76	1,070,384,000	1,077,096,248	1.010	1,081,103,056	3,021,649	0.76	4,006,808
Fannie Mae Discount Notes	5.60	35	35	0.11	415,000,000	414,954,285	0.999	414,789,330	0	0.11	(164,955)
Federal Farm Credit Bank Discount Notes	2.56	127	127	0.19	190,000,000	189,869,639	0.998	189,654,090	0	0.19	(215,549)
Federal Farm Credit Bank Notes	4.49	273	163	0.29	332,689,000	332,671,144	1.000	332,790,588	269,011	0.29	119,444
Federal Home Loan Bank Discount Notes	3.38	21	21	0.13	250,000,000	249,982,476	0.999	249,857,700	0	0.13	(124,776)
Federal Home Loan Bank Notes	21.04	278	237	0.44	1,553,340,000	1,558,712,105	1.006	1,563,026,359	2,888,585	0.43	4,314,254
Federal Home Loan Mortgage Corp Discount Notes	0.34	59	59	0.13	25,000,000	24,994,764	0.999	24,981,950	0	0.13	(12,814)
Federal Home Loan Mortgage Corp Notes	9.10	733	452	0.88	669,852,000	674,141,968	1.012	677,575,584	2,147,957	0.71	3,433,616
Money Market Funds	2.11	1	1	0.09	156,425,000	156,425,000	1.001	156,530,105	10,441	0.09	105,105
Negotiable CD	11.97	24	24	0.15	886,330,000	886,330,552	1.000	886,330,575	114,501	0.15	23
Repurchase Agreements	0.27	1		0.02	19,694,628	19,694,628	1.000	19,694,628	11	0.02	0
U.S. Treasury Notes	3.04	883	883	1.12	222,000,000	225,377,612	1.030	228,584,150	1,290,310	1.12	3,206,538
Totals for April 2013	100.00%	322	239	0.40 %	$7,388,427,628	$7,407,731,023	1.005	$7,422,326,080	$9,745,439	0.38%	$14,595,057
Totals for March 2013	100.00%	371	268	0.47 %	$5,893,872,409	$5,907,582,478	1.005	$5,921,630,283	$9,157,374	0.44%	$14,047,805
Change From Prior Month		(49)	(29)	(0.07)	$1,494,555,219	$1,500,148,545	(0.000)	$1,500,695,797	$ 588,065	(0.06)	$ 547,252
Portfolio Effective Duration	0.610 years										

	April Return	Annualized	Fiscal Year to Date Return	Annualized	Calendar Year to Date Return	Annualized
Book Value	0.034%	0.409%	0.398%	0.478%	0.145 %	0.441%
Market Value	0.034%	0.409%	0.396%	0.475%	0.145%	0.440%

Source: The County.

(1) Yields for the portfolio are aggregated based on the book value of each security.

(2) Yield to maturity ("YTM") is the estimated rate of return on a bond given its purchase price, assuming all coupon payments are made on a timely basis and reinvested at this same rate of return to the maturity date.

(3) Yield to worst ("YTW") is the lesser of yield to maturity or yield to call, reflecting the optionality of the bond issuer.

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES, REVENUES AND APPROPRIATIONS

Article XIII A

On June 6, 1978, California voters approved Proposition 13, adding Article XIII A to the California Constitution. Article XIII A, among other things, affects the valuation of real property for the purpose of taxation in that it defines the full cash property value to mean "the county assessor's valuation of real property as shown on the 1975/76 tax bill under 'full cash value,' or thereafter, the appraised value of real property newly constructed, or when a change in ownership has occurred after the 1975 assessment." The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or a reduction in the consumer price index or comparable local data for the area under taxing jurisdiction, or reduced in the event of declining property value caused by substantial damage, destruction or other factors including a general economic downturn. Any reduction in assessed value is temporary and may be adjusted for any given year by the Assessor. The assessed value increases to its pre-reduction level (escalated to the annual inflation rate of no more than two percent) following the year(s) for which the reduction is applied. The amendment further limits the amount of any *ad valorem* tax on real property to 1% of the full cash value except that additional taxes may be levied to pay (i) debt service on indebtedness approved by the voters prior to July 1, 1978, (ii) bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978 by two-thirds of the votes cast by the voters voting on the proposition; and (iii) bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% of the voters of the school district or community college district, but only if certain accountability measures are included in the proposition.

On June 3, 1986, California voters approved Proposition 46, which added an additional exemption to the 1% tax limitation imposed by Article XIII A. Under this amendment to Article XIII A, local governments and school districts may increase the property tax rate above 1% for the period necessary to retire new general obligation bonds, if two-thirds of those voting in a local election approve the issuance of such bonds and the money raised through the sale of the bonds is used exclusively to purchase or improve real property.

Legislation enacted by the State Legislature to implement Article XIII A provides that all taxable property is shown at full assessed value as described above. In conformity with this procedure, all taxable property value included in this Official Statement (except as noted) is shown at 100% of assessed value and all general tax rates reflect the $1 per $100 of taxable value. Tax rates for voter approved bonded indebtedness are also applied to 100% of assessed value.

Future assessed valuation growth allowed under Article XIII A (new construction, change of ownership, 2% annual value growth) will be allocated on the basis of "situs" among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies and school districts will share the growth of "base" revenue from the tax rate area. Each year's growth allocation becomes part of each agency's allocation the following year. The County is unable to predict the nature or magnitude of future revenue sources which may be provided by the State to replace lost property tax revenues. Article XIII A effectively prohibits the levying of any other *ad valorem* property tax above the 1% limit except for taxes to support indebtedness approved by the voters as described above.

Article XIII B

On November 6, 1979, California voters approved Proposition 4, which added Article XIII B to the California Constitution. In June 1990, the voters through their approval of Proposition 111 amended Article XIII B. Article XIII B of the California Constitution limits the annual appropriations of the State and any city, county, school district, special district, authority or other political subdivision of the State (e.g. local governments) to the level of appropriations for the prior fiscal year, as adjusted annually for changes in the cost of living, population and services rendered by the governmental entity. The "base year" for establishing such appropriation limit is the 1978-79 fiscal year. Increases in appropriations by a governmental entity are also permitted (i) if financial responsibility for providing services is transferred to a governmental entity, or (ii) for emergencies so long as the appropriations limits for the three years following the emergency are reduced accordingly to prevent any aggregate increase above the Constitutional limit. Decreases are required where responsibility for providing services is transferred from the government entity.

Appropriations subject to Article XIII B include generally any authorization to expend during the fiscal year the proceeds of taxes levied by or for the State, exclusive of certain State subventions for the use and operation of local government, refunds of taxes, benefit payments from retirement, unemployment insurance and disability insurance funds. Appropriations subject to limitation of an entity of local government include any authorization to expend during a fiscal year the proceeds of taxes levied by or for that entity and the proceeds of certain State subventions to that entity and refunds of taxes. Appropriations subject to limitation pursuant to Article XIII B do not include debt service on indebtedness existing or legally authorized as of January 1, 1979, on bonded indebtedness thereafter approved according to law by a vote of the electors of the issuing entity voting in an election for such purpose, appropriations required to comply with mandates of courts or the federal government, appropriations for qualified outlay projects, and appropriations by the State of revenues derived from any increase in gasoline taxes and motor vehicle weight fees above January 1, 1990 levels. "Proceeds of taxes" include, but are not limited to, all tax revenues and the proceeds to any entity of government from (i) regulatory licenses, user charges, and user fees to the extent such proceeds exceed the cost of providing the service or regulation, (ii) the investment of tax revenues and (iii) certain State subventions received by local governments.

Article XIII B includes a requirement pursuant to which fifty percent (50%) of all revenues received by the State in a fiscal year and in the fiscal year immediately following it in excess of the amount which may be appropriated by the State in compliance with Article XIII B during that fiscal year and the fiscal year immediately following it shall be transferred and allocated, from a fund established for that purpose, pursuant to Article XVI of the State Constitution. In addition, fifty percent (50%) of all revenues received by the State in a fiscal year and in the fiscal year immediately following it in excess of the amount which may be appropriated by the State in compliance with Article XIII B during that fiscal year and the fiscal year immediately following it shall be returned by revising tax rates or fee schedules within the next two subsequent fiscal years. Further, Article XIII B includes a requirement that all revenues received by an entity of government, other than the State, in a fiscal year and in the fiscal year immediately following it that exceed the amount which may be appropriated by that entity in compliance with Article XIII B during that fiscal year and the fiscal year immediately following it shall be returned by revising tax rates or fee schedules within the next two subsequent fiscal years.

As amended in June 1990, the appropriations limit for the County in each year is based on the limit for the prior year, adjusted annually for changes in the costs of living and changes in population, and adjusted, where applicable, for transfer of financial responsibility of providing services to or from another unit of government. The change in the cost of living is, at the County's option, either (i) the percentage change in California per capita personal income from the preceding fiscal year, or (ii) the percentage change in the local assessment roll from the preceding fiscal year for the jurisdiction due to the addition of local nonresidential new construction. Pursuant to the Revenue and Taxation Code, the State's Department of Finance annually transmits to each city and each county an estimate of the percentage change in the population of the city or the county.

Article XIII B permits any government entity to change the appropriations limit by vote of the electorate in conformity with statutory and Constitutional voting requirements, but any such voter-approved change can only be effective for a maximum of four years.

The Board of Supervisors adopted the annual appropriation limit for Fiscal Year 2012-13 of approximately $4.2 billion. The limitation applies only to proceeds of taxes and therefore does not apply to service fees and charges, investment earnings on non-proceeds of taxes, fines, and revenue from the sale of property and taxes received from the State and federal governments that are tied to special programs. Based on the Fiscal Year 2012-13 Adopted Budget, the funds subject to limitation total approximately $1.53 billion (total General Operating Budget minus non-proceeds of taxes and debt service) and are approximately $2.67 billion below the Article XIII B limit.

Proposition 46

On June 3, 1986, California voters approved Proposition 46, which added an additional exemption to the 1% tax limitation imposed by Article XIII A. Under this amendment to Article XIII A, local governments and school districts may increase the property tax rate above 1% for the period necessary to retire new general obligation bonds, if two-thirds of those voting in a local election approve the issuance of such bonds and the money raised through the sale of the bonds is used exclusively to purchase or improve real property.

Proposition 62

Proposition 62 was adopted by the California voters at the November 4, 1986, general election which (a) requires that any new or higher taxes for general governmental purposes imposed by local governmental entities such as the County be approved by a two-thirds vote of the governmental entity's legislative body and by a majority vote of the voters of the governmental entity voting in an election on the tax, (b) requires that any special tax (defined as taxes imposed for specific purposes) imposed by a local government entity be approved by a two-thirds vote of the voters of the governmental entity voting in an election on the tax, (c) restricts the use of revenues from a special tax to the purposes or for the service for which the special tax was imposed, (d) prohibits the imposition of *ad valorem* taxes on real property by local governmental entities except as permitted by Article XIII A of the California Constitution, (e) prohibits the imposition of transaction taxes and sales taxes on the sale of real property by local governmental entities, and (f) required that any tax imposed by a local governmental entity on or after August 1, 1985, be ratified by a majority vote of the voters voting in an election on the tax within two years of the adoption of the initiative or be terminated by November 15, 1988.

On September 28, 1995, the California Supreme Court, in the case of *Santa Clara County Local Transportation Authority v. Guardino*, upheld the constitutionality of Proposition 62. In this case, the court held that a county-wide sales tax of one-half of one percent was a special tax that, under Section 53722 of the Government Code, was invalid without the required two-thirds voter approval. The decision did not address the question of whether or not it should be applied retroactively.

Following the California Supreme Court's decision upholding Proposition 62, several actions were filed challenging taxes imposed by public agencies since the adoption of Proposition 62. On June 4, 2001, the California Supreme Court released its decision in one of these cases, *Howard Jarvis Taxpayers*

Association v. City of La Habra, et al. ("La Habra"). In this case, the court held that public agency's continued imposition and collection of a tax is an ongoing violation, upon which the statute of limitations period begins anew with each collection. The court also held that, unless another statute or constitutional rule provided differently, the statute of limitations for challenges to taxes subject to Proposition 62 is three years. Accordingly, a challenge to a tax subject to Proposition 62 may only be made for those taxes received within three years of the date the action is brought. The portion of the County's taxes subject to Proposition 62, including the County's transient occupancy tax, is in compliance with Proposition 62 requirements.

Proposition 218

On November 5, 1996, the California voters approved Proposition 218, a constitutional initiative entitled the "Right to Vote on Taxes Act" ("Proposition 218"). Proposition 218 adds Articles XIII C and XIII D to the California Constitution and contains a number of interrelated provisions limiting the ability of local governments, including the County, to impose and collect both existing and future taxes, assessments, fees and charges. The County is unable to predict whether and to what extent Proposition 218 may be held to be constitutional or how its terms will be interpreted and applied by the courts. Proposition 218 could substantially restrict the County's ability to raise future revenues and could subject certain existing sources of revenue to reduction or repeal, and increase the County's costs to hold elections, calculate fees and assessments, notify the public and defend its fees and assessments in court. Further, as described below, Proposition 218 provides for broad initiative powers to reduce or repeal local taxes, assessments, fees and charges. However, other than any impact resulting from the exercise of this initiative power, the County does not presently believe that the potential impact on the financial condition of the County as a result of the provisions of Proposition 218 will adversely affect the County's ability to pay principal of and interest on the Notes and perform its other obligations as and when due.

Article XIII C requires that all new, extended, or increased local taxes be submitted to the electorate before they become effective. Taxes for general governmental purposes of the County require a majority vote of the electorate and taxes for specific purposes, even if deposited in the County's General Fund, require a two-thirds vote of the electorate. These voter approval requirements of Proposition 218 reduce the flexibility of the County to raise revenues through General Fund taxes, and no assurance can be given that the County will be able to impose, extend or increase such taxes in the future to meet increased expenditure requirements.

Article XIII C also expressly extends the initiative power to give voters the power to reduce or repeal local taxes, assessments, fees and charges, regardless of the date such taxes, assessments, fees or charges were imposed. This extension of the initiative power is not limited by the terms of Proposition 218 to local taxes, assessments, fees or charges imposed after November 6, 1996 and absent other legal authority could result in retroactive reduction in any existing taxes, assessments or fees and charges.

The repeal of local taxes, assessments, fees or charges could be challenged as a violation of the prohibition against impairing contracts under the contract clause of the United States Constitution. Subsequent to the amendment of Article XIII C, the State Legislature approved SB 919 (the "Proposition 218 Omnibus Implementation Act"), which directed that the initiative power provided for in Proposition 218 "shall not be construed to mean that any owner or beneficial owner of a municipal security, purchased before or after November 6, 1998, assumes the risk of, or in any way consents to, any action by initiative measure that constitutes an impairment of contractual rights" protected by the United States Constitution. However, no assurance can be given that the voters of the County will not, in the future, approve an initiative which reduces or repeals local taxes, assessments, fees or charges that are or will be deposited into the County's General Fund. Further, "fees" and "charges" are not defined in Article XIII C or Proposition 218 Omnibus Implementation Act, and it is unclear whether these terms are intended to have the same meanings for purposes of Article XIII C as they do in Article XIII D, as described below. Accordingly, the scope of the initiative power under Article XIII C could include all sources of General Fund moneys not received from or imposed by the federal or State government or derived from investment income.

The initiative power granted under Article XIII C, by its terms, applies to all local taxes, assessments, fees and charges and is not limited to local taxes, assessments, fees and charges that are property related. The County is unable to predict whether the courts will interpret the initiative provision to be limited to property related fees and charges. No assurance can be given that the voters of the County will not, in the future, approve an initiative which reduces or repeals local taxes, assessments, fees or charges which are deposited into the County's General Fund. The County believes that in the event that the initiative power was exercised so that all local taxes, assessments, fees and charges which may be subject to the provisions of Proposition 218 are reduced or substantially reduced, the financial condition of the County, including its General Fund, would be materially adversely affected. As a result, there can be no assurances that the County would be able to pay the principal of and interest on the Notes as and when due or any of its other obligations payable from the County General Fund.

Article XIII D added several requirements that generally made it more difficult for local agencies, such as the County, to levy and maintain "assessments" for municipal services and programs. "Assessment" is defined in Proposition 218 and the Proposition 218 Omnibus Implementation Act (as enacted in Government Code Section 53750) to mean any levy or charge upon real property for a special benefit conferred upon the real property. This includes maintenance assessments imposed in County service areas and in special districts. In most instances, in the event that the County is unable to collect assessment revenues relating to specific programs as a consequence of Proposition 218, the County will curtail such services rather than use amounts in the General Fund to finance such programs. Accordingly, the County anticipates that any impact Article XIII D may have on existing or future taxes, fees, and assessments will not adversely affect the ability of the County to pay the principal of and interest on the Notes, as and when due. However, no assurance can be given that the County may or will be able to reduce or eliminate such services to avoid new costs for the County General Fund in the event the assessments that presently finance them are reduced or repealed.

Article XIII D also adds several provisions affecting "fees" and "charges" which are defined as "any levy other than an *ad valorem* tax, a special tax, or an assessment, imposed by an agency [subdivision (a) of Section 2 of Article XIII D defines an agency as any local government as defined in subdivision (b) of Section 1 of Article XIIIC] upon a parcel or upon a person as an incident of property ownership, including a user fee or charge for a property related service." All new fees and charges and, after June 30, 1997, all existing property related fees and charges that are extended, imposed or increased must conform to requirements prohibiting, among other things, fees and charges which (i) generate revenues exceeding the funds required to provide the property related service, (ii) are used for any purpose other than those for which the fees and charges are imposed, (iii) are for a service not actually used by, or immediately available to, the owner of the property in question, or (iv) are used for general governmental services, including police, fire, ambulance or library services, where the service is available to the public at large in substantially the same manner as it is to property owners. Further, before any property related fee or charge may be imposed or increased, written notice must be given to the record owner of each parcel of land affected by such fee or charge. The County must then hold a hearing upon the proposed imposition or increase of such property-related fee or charge, and if written protests against the proposal are presented by a majority of the owners of the identified parcels, the County may not impose or increase the fee or charge. Moreover, except for fees or charges for sewer, water and refuse collection services, no property related fee or charge may be imposed or increased without majority approval by the property owners subject to the fee or charge or, at the option of the County, two-thirds voter approval by the electorate residing in the affected area. The annual amount of revenues that are received by the County and deposited into its General Fund which may be considered to be property related fees and charges under Article XIII D of Proposition 218 is not substantial. Accordingly, the County does not presently anticipate that any impact Article XIII D may have on future fees and charges will adversely affect the ability of the County to pay the principal of and interest on the Notes as and when due. However, no assurance can be given that the County may or will be able to reduce or eliminate such services to avoid new costs for the County General Fund in the event the fees and charges that presently finance them are reduced or repealed.

The County has a clean water enterprise fund which is self-supporting from fees and charges that may ultimately be determined to be property related for purposes of Article XIII D of Proposition 218. Further, the fees and charges of the County's enterprise funds, including those which are not property related for purposes of Article XIII D of Proposition 218, may be determined to be fees and charges subject to the initiative power as provided in Article XIII C of Proposition 218, as described above. In the event that fees and charges cannot be appropriately increased or are reduced pursuant to the exercise of the initiative power, the County may have to choose whether to reduce or eliminate the service financed by such fees or charges or finance such service from its General Fund. Further, no assurance can be given that the County may or will be able to reduce or eliminate such services in the event the fees and charges that presently finance them are reduced or repealed.

Additional implementing legislation respecting Proposition 218 may be introduced in the State legislature from time to time that would amend and supplement and add provisions to California statutory law. No assurance may be given as to the terms of such legislation or its potential impact on the County.

Proposition 1A

Proposition 1A ("Proposition 1A"), proposed by the Legislature as a Senate Constitutional Amendment in connection with the 2004-05 Budget Act and approved by California voters in November 2004, provides that the State may not reduce any local sales tax rate, limit existing local government authority to levy a sales tax rate or change the allocation of local sales tax revenues, subject to certain exceptions. Proposition 1A generally prohibits the State from shifting to schools or community colleges any share of property tax revenues allocated to local governments for any fiscal year, as set forth under the laws in effect as of November 3, 2004. Any change in the allocation of property tax revenues among local governments within a county must be approved by two-thirds of both houses of the Legislature. Proposition 1A provides that the State may shift to schools and community colleges up to 8% of local government property tax revenues, which amount must be repaid, with interest, within three years, if the Governor proclaims that the shift is needed due to a severe state financial hardship, the shift is approved by two-thirds of both houses of the State Legislature and certain other conditions are met. The State may also approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Proposition 1A also provides that if the State reduces the VLF rate below 0.65 percent of vehicle value, the State must provide local governments with equal replacement revenues. Further, Proposition 1A requires the State, beginning July 1, 2005, to suspend State mandates affecting cities, counties and special districts, excepting mandates relating to employee rights, schools or community colleges, in any year that the State does not fully reimburse local governments for their costs to comply with such mandates. The State's ability to initiate future exchanges and shifts of funds will be limited by Proposition 22. See " – Proposition 22" below.

Proposition 22

Proposition 22 ("Proposition 22"), which was approved by California voters in November 2010, prohibits the State, even during a period of severe fiscal hardship, from delaying the distribution of tax revenues for transportation, redevelopment, or local government projects and services and prohibits fuel tax revenues from being loaned for cash-flow or budget balancing purposes to the State General Fund or any other State fund. Due to the prohibition with respect to State's ability to take, reallocate, and borrow money raised by local governments for local purposes, Proposition 22 supersedes certain provisions of Proposition 1A of 2004. See " – Proposition 1A" herein. In addition, Proposition 22 generally eliminates the State's authority to temporarily shift property taxes from cities, counties, and special districts to schools, temporarily increase school and community college district's share of property tax revenues, prohibits the State from borrowing or redirecting redevelopment property tax revenues or requiring increased pass-through payments thereof, and prohibits the State from reallocating vehicle license fee revenues to pay for State-imposed mandates. In addition, Proposition 22 requires a two-thirds vote of each house of the State Legislature and a public hearing process to be conducted in order to change the amount of fuel excise tax revenues shared with cities and counties.

Proposition 22 prohibits the State from borrowing sales taxes or excise taxes on motor vehicle fuels or changing the allocations of those taxes among local government except pursuant to specified procedures involving public notices and hearings. In addition, Proposition 22 requires that the State apply the formula setting forth the allocation of State fuel tax revenues to local agencies revert to the formula in effect on June 30, 2009. The LAO anticipates that Proposition 22 will require the State to adopt alternative actions to address its fiscal and policy objectives, particularly with respect to short-term cash flow need. The County does not believe that the adoption of Proposition 22 will have a significant impact on its revenues and expenditures during Fiscal Year 2012-13.

Proposition 26

Proposition 26 ("Proposition 26"), which was approved by California voters on November 2, 2010, revises the California Constitution to expand the definition of "taxes." Proposition 26 re-categorizes many State and local fees as taxes and specifies a requirement of two-thirds voter approval for taxes levied by local governments.

Proposition 26 requires the State obtain the approval of two-thirds of both houses of the State Legislature for any proposed change in State statutes, which would result in any taxpayer paying a higher tax. Proposition 26 eliminates the previous practice whereby a tax increase coupled with a tax reduction that resulted in an overall neutral fiscal effect was subject only to a majority vote in the State Legislature. Furthermore, pursuant to Proposition 26, any increase in a fee above the amount needed to provide the specific service or benefit is deemed to be a tax and the approval thereof will require such two-thirds vote of approval to be effective. In addition, for State imposed fees and charges, any fee or charge adopted after January 1, 2010 with a majority vote of approval of the State Legislature which would have required a two-thirds vote of approval of the State Legislature if Proposition 26 were effective at the time of such adoption is repealed as of November 2011 absent the re-adoption by the requisite two-thirds vote.

Proposition 26 amends Article XIII C of the State Constitution to state that a "tax" means a levy, charge or exaction of any kind imposed by a local government, except (1) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (2) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product; (3) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (4) a charge imposed for entrance to or use of local government property or the purchase rental or lease of local government property; (5) a fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government as a result of a violation of law; (6) a charge imposed as a condition of property development; or (7) assessments and property related fees imposed in accordance with the provisions of Proposition 218. See " – Proposition 218") herein.

Proposition 26 applies to any levy, charge or exaction imposed, increased, or extended by local government on or after November 3, 2010, unless exempted, as stated above. Accordingly, fees adopted prior to that date are not subject to the measure until they are increased or extended or if it is determined that an exemption applies. As of the date hereof, none of the County's fees or charges has been challenged in a court of law in connection with the requirements of Proposition 26.

If the local government specifies how the funds from a proposed local tax are to be used, the approval will be subject to a two-thirds voter requirement. If the local government does not specify how the funds from a proposed local tax are to be used, the approval will be subject to a fifty percent voter requirement. Proposed local government fees that are not subject to Proposition 26 generally are subject to the approval of a majority of the governing body. In general, proposed property charges will be subject to a majority vote of approval by the governing body although certain proposed property charges will also require approval by a majority of the affected property owners.

Future Initiatives

Article XIII A, Article XIII B, Article XIII C, Article XIII D, Proposition 111, Proposition 1A, Proposition 62, Proposition 22, and Proposition 26 were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time, other initiative measures could be adopted, further affecting revenues of the County or the County's ability to expend revenues. The nature and impact of these measures cannot be predicted by the County.

STATE OF CALIFORNIA BUDGET INFORMATION AND FEDERAL STIMULUS INFORMATION

State of California Budget Information

The following information concerning the State's budgets has been obtained from publicly available information which the County believes to be reliable; however, the County takes no responsibility as to the accuracy or completeness thereof and has not independently verified such information. Information about the State Budget is regularly available at various State-maintained websites. Text of the State budget may be found at the Department of Finance website, www.dof ca.gov, under the heading "California Budget." An impartial analysis of the State's budget is posted by the Legislative Analyst's Office (the "LAO") at www.lao.ca.gov. In addition, certain State official statements, many of which contain a summary of the current and past State budgets, may be found at the website of the State Treasurer, www.treasurer.ca.gov and the Municipal Securities Rulemaking Board's Electronic Municipal Market Access System, emma.msrb.org. The information referred to on the website of the State Treasurer is prepared by the State and not by the County or the Underwriters, and the County and the Underwriters take no responsibility for the continued accuracy of the internet address of the State Treasurer or for the accuracy, if any, or timeliness of information posted there, and such information is not incorporated herein by these references.

State Budget for Fiscal Year 2012-13

2012-13 State Budget Act. On June 28, 2012, the Governor signed the State Budget Act for Fiscal Year 2012-13 (the "2012-13 State Budget Act") to address a then-projected $16.6 billion deficit through June 30, 2013. The 2012-13 State Budget Act estimated Fiscal Year 2012-13 revenues and transfers of $95.89 billion, total expenditures of $91.34 billion and a year-end surplus of $1.67 billion (net of the negative $2.88 billion prior-year State General Fund balance). The 2012-13 State Budget Act allocates $719 million of the projected surplus to the reserve for the liquidation of encumbrances and $948 million of the projected surplus to the special fund for economic uncertainties. The 2012-13 State Budget Act estimated revenues and expenditures assuming California Proposition 30 ("Proposition 30") was approved by voters in the State. In the event Proposition 30 was not approved, the 2012-13 State Budget proposed $5.95 billion in trigger cuts that would go into effect on January 1, 2013. Proposition 30 was approved by voters in the State on November 6, 2012. See " - Governor's Tax Initiative" herein. The 2012-13 State Budget Act further states that under current projections and assuming voter approval of the Governor's Revised 2012 Tax Initiative, the State's budget for Fiscal Year 2012-13 will be balanced in an ongoing manner.

Features of the 2012-13 State Budget Act affecting counties in general include, but are not limited to, the following:

1. The 2012-13 State Budget Act suspends the county share of child support collections in Fiscal Year 2012-13. The 2012-13 State Budget Act projects the suspension will reduce State General Fund expenditures by approximately $31.9 million.

2. The 2012-13 State Budget Act continues the Governor's plan to modify the correctional system and realign responsibilities between the State and counties. The 2012-13 State Budget Act implements a new fee structure pursuant to which the State will charge counties $24,000 per year for each offender committed by a juvenile court to the Division of Juvenile Justice.

3. The 2012-13 State Budget Act provides $500 million of additional lease revenue bond financing authority for the acquisition, design and construction of local facilities to assist counties in the management of their respective offender populations. The additional bond financing authority will be in addition to the $1.2 billion of lease revenue bond financing authority provided by Assembly Bill 900 (2007) for two phases of the Local Jail Construction Financing Program.

4. The 2012-13 State Budget Act creates a process pursuant to which the State will determine how the liquid assets of redevelopment agencies that were dissolved pursuant to ABx1 26 should have been shifted to their successor agencies when they were dissolved. Pursuant to this process, loans from cities and counties to their redevelopment agencies currently ineligible for repayment would be deemed eligible for repayment beginning in Fiscal Year 2013-14. In addition, land and other physical assets that are not needed for enforceable obligations of the former redevelopment agencies may be transferred by the successor agency to the city or county that created the redevelopment agency and used for economic development. Upon the transfer, the receiving city or county will not be required to compensate the affected taxing entities.

5. The 2012-13 State Budget Act created a one-time process pursuant to which taxing entities may be able to recapture property tax revenue that, due to the timing of the Supreme Court's ruling in *California Redevelopment Association v. Matosantos* and inconsistent interpretations of the law, such taxing entities did not receive in Fiscal Year 2011-12. The 2012-13 State Budget Act required successor agencies to remit these amounts to the related county auditor-controller and such county auditor-controller was required to distribute these amounts to the affected taxing entities in July 2012.

6. The 2012-13 State Budget Act continues the Governor's plan to modify or suspend mandates upon local agencies from the State. The 2012-13 State Budget Act suspends various mandates for Fiscal Year 2012-13, with the exception of certain mandates relating to law enforcement and property taxes. The Governor estimates that this suspension will reduce State General Fund expenditures by approximately $728.8 million. The 2012-13 State Budget Act proposes to suspend these mandates in

Fiscal Years 2013-14 and 2014-15. In addition, the 2012-13 State Budget Act defers approximately $99.5 million due to local agencies for payment for mandate costs incurred prior to Fiscal Year 2004-05.

Governor's Tax Initiative. Proposition 30, which was approved by the requisite percentage of voters in the State voting on the proposition, temporarily increases the maximum marginal personal income tax rates for individuals, heads of households and joint filers above 9.3 percent by creating three additional tax brackets of 10.3 percent, 11.3 percent and 12.3 percent. The tax increases set forth in Proposition 30 will be in effect from tax year 2012 to tax year 2018. In addition, Proposition 30 temporarily increases the State's sales and use tax rate by 0.25 percent from 2013 to 2016.

Pursuant to Proposition 30, the State will include revenues from the temporary tax increases in the General Fund calculation of the Proposition 98 minimum guarantee for education spending. The State will deposit a portion of the new General Fund revenues into an Education Protection Account be established to support funding for schools and community colleges. The remainder of the new General Fund revenues will be available to help the State balance its budget through Fiscal Year 2017-18. However, the allocation of such revenues to particular programs is subject to the discretion of the Governor and the State Legislature.

In addition, Proposition 30 amends the State Constitution to address certain provisions relating to the realignment of State program responsibilities to local governments. Proposition 30 requires the State to continue to provide tax revenues that were redirected in calendar year 2011 (or equivalent funds) to local governments to pay for transferred program responsibilities. Further, Proposition 30 permanently excludes sales tax revenues that are redirected to local governments from the calculation of the Proposition 98 minimum guarantee for schools and community colleges.

Pursuant to Proposition 30, the State's ability to expand program requirements will be limited. Local governments will not be required to implement any future State laws that increase local costs to administer realigned program responsibilities unless the State provides such local governments with additional money to pay for the increased costs. Further, Proposition 30 requires the State to pay part of any new local costs that result from certain court actions and changes in federal statutes or regulations that are related to the realigned program responsibilities. Proposition 30 eliminates potential funding liability on the part of the State for mandates imposed upon local governments. Previously, the State was required to reimburse local governments when the State imposed new mandates upon them. In addition, Proposition 30 eliminates the State's practice of reimbursing local governments for costs resulting from certain provisions of the Ralph M. Brown Act including, among other things, the requirement to prepare and post agendas for public meetings.

The LAO estimates that Proposition 30 could increase realignment costs for the State because, among other things, Proposition 30 guarantees that the State will continue to provide funds to local governments to pay for realigned programs, requires the State to pay a portion of the costs, if any, associated with future federal law changes and court cases, and authorizes local governments to refuse to implement new State laws and regulations that increase their costs unless the State provides additional funds. The LAO estimates that Proposition 30 could increase revenues available to local governments because the State would continue to provide funds to local governments to pay for realigned the program responsibilities and to pay all or part of the costs associated with future changes in State and federal law and court cases. The LAO projects that the projected cost increases to the State and revenue increases for local governments could be impacted by changes relating to mandate reimbursements and Brown Act reimbursements.

State Budget for Fiscal Year 2013-14

Fiscal Year 2013-14 Proposed State Budget. On January 10, 2013, Governor Edmund G. Brown released his 2013-14 Proposed Budget (the "Fiscal Year 2013-14 Proposed State Budget"), which projects Fiscal Year 2012-13 revenues and transfers of $95.39 billion, total expenditures of $92.99 billion and a year-end surplus of $785 million (net of the $1.62 billion deficit from Fiscal Year 2011 12), of which $618 million would be reserved for the liquidation of encumbrances and $167 million would be deposited in a reserve for economic uncertainties. The Fiscal Year 2013-14 Proposed State Budget projects Fiscal Year 2013-14 revenues and transfers of $98.50 billion, total expenditures of $97.65 billion and a year-end surplus of $1.64 billion (inclusive of the projected $785 million State General Fund balance for Fiscal Year 2012-13), of which $618 million would be reserved for the liquidation of encumbrances and $1.02 billion would be deposited in a reserve for economic uncertainties. The Fiscal Year 2013-14 Proposed State Budget states that the State's budget remains balanced by a small margin and cautions that such balance may be affected by various factors, including among other things, shifts of costs to the State from the federal government, the uncertainty of the economic recovery in the State and the country, actions taken by the federal government and the judicial system and rising health care costs.

Certain of the features of the Fiscal Year 2013-14 Proposed State Budget which could affect counties in the State include the following:

1. The Fiscal Year 2013-14 Proposed Budget includes estimates of allocations of base and growth amounts for 2011 Realignment through Fiscal Year 2014-15, resulting in $6.4 billion of funding in Fiscal Year 2013-14 and $6.9 billion of funding in Fiscal Year 2014-15.

2. The Fiscal Year 2013-14 Proposed Budget includes the suspension of four mandates (modified primary election, domestic violence background checks, permanent absentee voter and identity theft) and continues to suspect all previously suspended mandates. The Fiscal Year 2013-14 Proposed Budget continues to provide $48.4 million for mandates that remain in effect, primarily in the areas of public safety and property tax collection.

3. The Fiscal Year 2013-14 Proposed Budget projects updated statewide estimates of property tax revenues available for distribution subsequent to the redevelopment agencies dissolution process, including Department of Finance estimates of $800 million of property taxes to be distributed to counties for Fiscal Years 2012-13 and 2013-14, for a two-year total of $1.6 billion.

4. The Fiscal Year 2013-14 Proposed Budget sets forth the Administration's plan for implementing mandatory expansion of Medicaid pursuant to the Affordable Care Act (the "ACA"), including changes to eligibility and enrollment for populations currently eligible for Medicaid, which is estimated to cost $350 million.

5. The Fiscal Year 2013-14 Proposed Budget sets forth two alternatives, consisting of a state-based approach and a county-based approach, for the expansion of Medicaid to adults with incomes under 138 percent of the Federal Poverty Level who are not currently eligible as the optional expansion under the ACA. Under the state-based expansion approach, the State would build upon the existing state-administered Medi-Cal Program and managed care delivery system. Aside from long-term care, covered benefits for the expansion population would be similar to benefits available to the currently eligible population. Under the county-based approach, the implementation of which may require a federal waiver, the counties would have operational and fiscal responsibility for implementing the Medi-Cal expansion, including certain functions currently performed by the state and Medi-Cal managed care plans to administer the program for the currently eligible population. In addition, counties could build upon their existing medical programs for indigents and low income health programs to operate the expansion and the

county-based expansion would meet statewide eligibility standards and cover a minimum benefits package similar to coverage requirements for health plans offered on the exchange, as provided under the ACA. Counties would also have the option of covering additional benefits (other than long-term care) for the expansion population.

6. The Fiscal Year 2013-14 Proposed Budget includes $1.8 billion in State General Fund funding for the In-Home Supportive Services program in Fiscal Year 2013-14, which is a 4.9% increae over the Fiscal Year 2012-13 funding.

7. The Fiscal Year 2013-14 Proposed Budget includes a $142.8 million increase in State General Fund funding for CalWORKs Employment Services.

LAO Analysis of the 2013-14 Proposed State Budget. On January 14, 2013, the LAO released a report entitled "The 2013-14 Budget: Overview of the Governor's Budget" (the "2013 LAO Budget Overview"), which provides an analysis by the LAO of the Fiscal Year 2013-14 Proposed State Budget. The 2013 LAO Budget Overview is available on the LAO website at www.lao.ca.gov. Information on the website is not incorporated herein by reference. The 2013 LAO Budget Overview states that the Fiscal Year 2013-14 Proposed State Budget reflects a significant improvement in the State's finances due to, among other things, the economic recovery, prior budgetary restraint, and voters' approval of temporary tax increases. However, the LAO cautions that there remain considerable risks to revenue estimates. In addition, the LAO estimates that the State will not have sizable reserves by the end of Fiscal Year 2016-17 or begun to address huge unfunded liabilities associated with the teachers' retirement system and State retiree health benefits.

According to the LAO, the State's underlying expenditures and revenues are generally balanced and, with the exception of education funding, the programs and services funded from the State's General Fund would operate at the same level in Fiscal year 2013-14 as they have during Fiscal Year 2012-13. The LAO cautions that the State's budget will continue to face risks including, among other things, uncertainty at the federal level over "fiscal cliff" issues related to the debt limit and sequestration and volatility in the State's revenue structure. In addition, the LAO recommends that the Governor conduct initial analysis of the economic impact of the proposed the Local Control Funding Formula and the State's options to implement Medi-Cal expansion in connection with the federal Affordable Care Act as they will have a significant impact upon the State's budget in Fiscal Year 2013-14 and subsequent years.

May Revision to the Fiscal Year 2013-14 Proposed State Budget. On May 14, 2013, the Governor released the May Revision, which projects Fiscal Year 2012-13 revenues and transfers of $98.19 billion, total expenditures of $95.69 billion and a year-end surplus of $850 million (net of the $1.66 billion deficit from Fiscal Year 2011-12), of which $618 million would be reserved for the liquidation of encumbrances and $232 million would be deposited in a reserve for economic uncertainties. The May Revision projects Fiscal Year 2013-14 revenues and transfers of $97.24 billion, total expenditures of $96.35 billion and a year-end surplus of $1.73 billion (inclusive of the projected $850 million State General Fund balance as of June 30, 2013 which would be available for Fiscal Year 2013-14), of which $618 million would be reserved for the liquidation of encumbrances and $1.11 billion would be deposited in a reserve for economic uncertainties. The May Revision states that the State's budget is projected to remain balanced due to, among other things, the reduction in expenditures and the receipt of temporary tax revenues from Proposition 30. However, the May Revision cautions that uncertainty with respect to the pace of the economic recovery in the State and the country, the outcome of pending litigation with respect to prison crowding and healthcare, rising health care costs, the outcome of pending litigation with respect to the dissolution of redevelopment agencies, shifts of costs to the State from the federal government and other actions taken by the federal government such as the Sequestration Executive Order pose significant risks to the State's budget projections.

Certain of the features of the May Revision which could affect counties in the State include the following:

1. The May Revision includes the proposal for a state-based approach to the optional expansion of Medi-Cal under the ACA and a proposal to redirect $1.5 billion in 1991 health realignment funds from counties to the State as State health care coverage grows with implementation of the ACA. Amounts are to be redirected based on actual county-by-county experience that takes into account revenues from patient care, federal funds, 1991 health realignment funds and net county contributions to health care services, as adjusted to reflect historic growth rate. The County savings will be redirected to support human services programs at local level. The May revision estimates that $300 million in Fiscal Year 2013-14, $900 million in Fiscal Year 2014-15, $1.3 billion in Fiscal Year 2015-16 and in Fiscal Year 2016-17 will shift from local health programs to local human services programs. Specifically, it proposes that, over time, counties assume greater financial responsibility for CalWORKs, CalWORKs-related child care programs and CalFresh (formerly Food Stamps) administration costs. As a county option, beneficiaries may receive an enhanced benefit package for substance abuse disorders.

2. The May Revision includes a proposal to shift additional health programs (including California Children's Services) to the State and allocate to counties more responsibility for human services programs (including CalWORKs, CalWORKs child care, and CalFresh administrative costs) beginning in Fiscal Year 2016-17. The State would continue to set eligibility, grant levels and rates for such human services programs and fund above-average costs that result from economic downturns or policy changes outside of county control. The May Revision includes $48 million in county administration for CalWORKs for job training and subsidized employment opportunities.

3. The May Revision includes a proposal to provide $71.9 million in Fiscal Year 2013-14 for county administration of Medi-Cal, including the processing of new applications and redeterminations, developing training and curriculum material, training county workers, and support planning and implementation activities. Future State appropriations, beginning in Fiscal Year 2015-16, would be based on a time study.

4. Both the Proposed Budget and the May Revision assume continue funding for the overall 2011 Realignment program from two state sources – a state special fund sales tax of 1.0625 percent and Vehicle License Fees. The forecast reflects a downward projection in sales tax, resulting in an approximately 40 percent decrease in the amount of growth attributable to the various program elements.

5. The May Revision includes a proposal to permit a swap of long-term county jail offenders for shorter-term prison inmates to ensure population and cost neutrality. In connection therewith, existing county parole boards would be granted authority to determine whether long-term offenders should be sent to State prison, provided the inmate has served three years in a county jail. The proposal includes a presumption for split sentences between county and State facilities, although it offers discretion for instances in which a judge deems a split sentence inappropriate.

6. The May Revision includes an increase of $72.1 million General Fund monies (for a total of $107 million) for the allocation of SB 678 (Community Corrections Performance Incentive Act) funds to county probation departments that demonstrate success in reducing the number of adult felony probationers going to prison or jail for committing new crimes or violating the terms of probation.

7. The May Revision continues to exclude local governments as eligible entities for Proposition 39 funding.

8. The May Revision sets forth the revised schedule for phasing in participants for the Coordinated Care Initiative, which will begin on January 1, 2014. All counties enrolling beneficiaries in the first phase, with the exception of one, will have a 12-month enrollment process.

9. The May Revision includes a proposal to reduce the General Fund cost for CalWORKs and Supplemental Security Income/State Supplementary Payment programs by $94.5 million in 2013-14 to reflect lower-than-estimated caseload levels for the programs.

10. The May Revision also assumes $176.4 million in savings associated with an agreement with plaintiffs on In-Home Supportive Services (IHSS) related lawsuits. The settlement requires an 8% across-the-board reduction in IHSS hours effective July 1, 2013, and 7% savings annually thereafter.

LAO Overview of the May Revision. On May 17, 2013, the LAO released an analysis of the May Revision entitled "The 2013-14 Budget: Overview of the May Revision" (the "LAO May Revision Overview"). The LAO May Revision Overview states that the LAO does not agree with the administration's view that there has been a significant dimming of the State's near-term economic prospects. However, in light of the relatively little benefit to be realized by the State's General Fund even if higher revenue calculations were adopted, the LAO May Revision Overview states that there remain good reasons for the Legislature to adopt a cautious budget posture. The LAO May Revision Overview further states that this is an ideal time for the Legislature to begin addressing the budgetary and retirement liabilities and, given the presence of various risks to the economic outlook and the State's budgetary volatility, building larger State budget reserves in the coming years.

Future State Budgets

The County receives a significant portion of its funding from the State. Changes in the revenues received by the State can affect the amount of funding, if any, to be received from the State by the County and other counties in the State.

The County cannot predict the extent of the budgetary problems the State will encounter in this Fiscal Year or in any future fiscal years, and, it is not clear what measures would be taken by the State to balance its budget, as required by law. In addition, the County cannot predict the final outcome of current and future State budget negotiations, the impact that such budgets will have on its finances and operations or what actions will be taken in the future by the State Legislature and Governor to deal with changing State revenues and expenditures. Current and future State budgets will be affected by national and State economic conditions and other factors, including the current economic downturn, over which the County has no control. See "County Financial Information – County's 2011-12 Adopted Budget and the Operational Plan" herein.

ECONOMIC AND DEMOGRAPHIC INFORMATION

General

San Diego County is the southernmost major metropolitan area in the State. San Diego County covers 4,261 square miles, extending 75 miles along the Pacific Coast from the Mexican border to Orange County, and inland 75 miles to Imperial County. Riverside and Orange counties form the northern boundary. San Diego County is approximately the size of the State of Connecticut.

Topography of San Diego County varies from broad coastal plains and fertile inland valleys to mountain ranges in the east which rise to an elevation of 6,500 feet. Eastern slopes of these mountains form the rim of the Anza-Borrego Desert and the Imperial Valley. The Cleveland National Forest occupies much of the interior portion of San Diego County. The climate is equable in the coastal and valley regions where most of the population and resources are located. The average annual rainfall in the coastal areas is approximately 10 inches.

San Diego County possesses a diverse economic base consisting of a significant manufacturing presence in the fields of electronics and shipbuilding, a large tourist industry attracted by the favorable climate of the region, and a considerable defense-related presence.

PETCO Park, located in the City of San Diego, provides a 42,000 fixed seat baseball stadium for the San Diego Padres. PETCO Park is located in a 26-block neighborhood that contains existing and proposed hotels, office space, retail and housing units within walking distance from the San Diego Convention Center and the Gaslamp Quarter. The baseball stadium is also within walking distance of a Trolley station and nearby parking facilities.

The San Diego Convention Center includes 2.6 million total gross square feet and plans are in progress to expand the Convention Center into the nearby bayfront area. The expansion plans reportedly include an additional 80,000 square-feet ballroom, 101,000 square-feet of meeting room space and an additional 225,000 square-feet of exhibit space. The Convention Center generated approximately $1.5 billion in fiscal year 2011-12 in total economic impact (direct and indirect spending) and $22.1 million in total tax revenues.

San Diego County is also growing as a major center for culture and education. More than 30 recognized art organizations, including the San Diego Opera, the Old Globe Theatre productions, the La Jolla Chamber Orchestra, as well as museums and art galleries, are located in San Diego County. Higher education is provided through five two-year colleges and six four-year colleges and universities.

In addition to the City of San Diego, other principal cities in San Diego County include Carlsbad, Chula Vista, Oceanside, El Cajon, Escondido, La Mesa and National City. Most County residents live within 20 miles of the coast. Farther inland are agricultural areas, principally planted in avocados and tomatoes, while the easternmost portion of San Diego County has a dry, desert-like topography.

The County is the delivery system for federal, state and local programs. The County provides a wide range of services to its residents including: (1) regional services such as courts, probation, medical examiner, jails, elections and public health; (2) health, welfare and human services such as mental health, senior citizen and child welfare services; (3) basic local services such as planning, parks, libraries and Sheriff’s patrol to the unincorporated area, and law enforcement and libraries by contract to incorporated cities; and (4) infrastructure such as roads, waste disposal and flood control to the unincorporated area of the County. For information on County governance, see “THE COUNTY – GENERAL” herein.

Population

There are 18 incorporated cities in San Diego County, and several unincorporated communities. Table 22 below sets forth the population in San Diego County, the State and the United States for the years 2003 through 2013.

TABLE 22
POPULATION ESTIMATES
(In Thousands)
(Calendar Years 2003-2013)

Year	San Diego County[(1)]	Percent Change	State of California[(1)]	Percent Change	United States[(1)]	Percent Change
2003	2,944	1.15%	35,389	1.29%	290,810	1.0%
2004	2,963	0.66	35,753	1.03	293,655	1.0
2005	2,970	0.23	35,986	0.65	296,410	0.9
2006	2,983	0.43	36,247	0.73	299,398	1.0
2007	3,014	1.05	36,553	0.84	301,621	1.0
2008	3,051	1.23	36,856	0.83	304,060	0.9
2009	3,078	0.86	37,077	0.60	307,007	0.9
2010	3,105	0.88	37,318	0.65	309,330	0.8
2011	3,125	0.73	37,570	0.70	311,592	0.7
2012	3,147	0.70	37,826	0.68	313,914	0.7
2013	3,150	0.70	37,966	0.80	--	--

Sources: County and State Data – State of California Department of Finance; National Data – U.S. Bureau of the Census, Annual Population Estimates.

(1) As of July 1 of the year shown, except for 2013 data, which is as of January 1.

Employment

Table 23 below sets forth information regarding the size of the civilian labor force, employment and unemployment rates for San Diego County, the State and the United States for 2008 through 2012.

TABLE 23
CIVILIAN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT
ANNUAL AVERAGES 2008-2012[(1)]
By Place of Residence
(In Thousands)

	2008	2009	2010	2011	2012
San Diego County					
Labor Force	1,549	1,555	1,574	1,582	1,599
Employment	1,456	1,406	1,408	1,424	1,546
Unemployment	93	149	166	159	143
Unemployment Rate	6%	10%	11%	10%	9%
State of California					
Labor Force	18,207	18,216	18,331	18,405	18,495
Employment	16,892	16,151	16,064	16,237	16,560
Unemployment	1,314	2,065	2,267	2,167	1,935
Unemployment Rate	7%	11%	12%	12%	11%
United States					
Labor Force	154,287	154,142	153,889	153,617	154,975
Employment	145,363	139,878	139,064	139,869	142,469
Unemployment	8,924	14,265	14,825	13,748	12,506
Unemployment Rate	6%	9%	10%	9%	8%

Sources: County and State Data – California Employment Development Department; National Data – U.S. Department of Labor, Bureau of Labor Statistics.

(1) Data is not Seasonally Adjusted.

The State of California Employment Development Department, Labor Market Information Division (the "EDD"), preliminarily estimates that, on a seasonally unadjusted basis, the civilian labor force in the County in April 2013 was 1,608,700, of which approximately 111,900 persons were unemployed. Based on preliminary estimates of the EDD as of May 17, 2013, the County's unemployment rate in April 2013 of 7.0%, on a non-seasonally unadjusted basis, was below that of the State at 8.5%.

Table 24 below sets forth the annual average employment within San Diego County by employment sector, other than farm industries, for 2008 through 2012.

TABLE 24
SAN DIEGO COUNTY
NON-AGRICULTURAL LABOR FORCE AND INDUSTRY EMPLOYMENT
ANNUAL AVERAGES 2008-2012
(In Thousands)

	2008	2009	2010	2011	2012
Employment Sector					
Mining and Logging	0.4	0.4	0.4	0.4	0.4
Construction	76.1	61.1	55.4	55.2	56.3
Manufacturing	102.8	95.3	92.9	93.1	93.4
Trade, Transportation and Utilities	215.9	199.5	197.3	200.8	206.8
Information	31.4	28.2	25.1	24.2	24.6
Financial Activities	75.2	69.8	67.2	67.6	69.5
Professional and Business Services	222.3	206.8	207.7	209.8	215.5
Educational and Health Services	137.3	144.3	145.5	150.2	154.5
Leisure and Hospitality	164.0	154.8	154.5	155.6	161.0
Other Services	48.4	46.8	46.1	47.6	49.3
Government	225.1	224.5	230.4	229.0	227.6
Total(1)	1,309.6	1,241.7	1,233.0	1,243.2	1,268.6

Source: California Employment Development Department, March 2012 Benchmark.
(1) Reflects independent rounding.

Largest Employers

Table 25 below sets forth the ten largest employers in the County as of May 1, 2012.

TABLE 25
SAN DIEGO COUNTY
Ten Largest Employers
(As of May 1, 2012)

Employer	Description	Number of local employees
U.S. Department of Defense	Departments of the Army, Navy and Air Force	133,323
Federal Government	Administration of federal functions, services, agencies	45,500
State of California	Administration of state functions, services, agencies	42,900
UC San Diego	Higher education, research, health care	27,391
Sharp HealthCare	Health care, hospitals, medical groups, health services and health plans	15,231
County of San Diego	Municipal, regional government services	15,109
Scripps Health	Hospitals, medical offices, clinics and home health services	15,050
San Diego Unified School District	Public education	14,603
Scripps Health	Hospitals, medical offices, clinics	14,097
Qualcomm Inc.	Develops and delivers digital wireless communications products and services	11,400

Source: San Diego Business Journal Book of Lists (2013).

Regional Economy

Table 26 below sets forth San Diego County's Gross Domestic Product, which is an estimate of the value for all goods and services produced in the region, from 2007 through 2011.

TABLE 26
SAN DIEGO COUNTY
GROSS DOMESTIC PRODUCT
2007-2011

		Annual Percent Change	
Year	Gross Domestic Product (In Billions)	Current Dollars San Diego	Constant Dollars San Diego
2007	$166.0	4.03%	--.--%
2008	167.7	1.03	1.02
2009	164.9	(1.66)	(1.67)
2010	165.9	0.58	0.61
2011	172.6	4.02	4.04

Sources: Bureau of Economic Analysis, U.S. Department of Commerce; reflects data as of April 2012.

Economic activity and population growth in the local economy are closely related. Helping to sustain San Diego County's economy is the performance of three basic industries of the region, which consist of manufacturing, the military, and tourism. It is estimated that the military and defense industries contributed approximately $20 billion to the regional economy during Fiscal Year 2012. There is some uncertainty related to the impacts of sequestration and the across-the-board federal spending cuts that might affect the regional economy. San Diego's military presence is anticipated to remain relatively stable and may even increase due to the consolidation of military operations and facilities from elsewhere in California, the West, and throughout the United States.

Building Activity

Building permit valuation for both residential and non-residential construction in San Diego County in 2012 increased relative to 2011 levels by approximately 11%. Table 27 below sets forth the annual total building permit valuation and the annual new housing permit total from 2007 through 2012.

TABLE 27
COUNTY OF SAN DIEGO
BUILDING PERMIT ACTIVITY
2007-2012
(In Thousands)

	2007	2008	2009	2010	2011	2012
Valuation:						
Residential	$1,852,381	$1,339,245	$ 878,700	$ 973,856	$ 1,399,587	$ 1,575,725
Non-Residential	1,416,823	1,061,802	583,969	659,150	1,006,211	1,091,810
Total	$3,269,204	$2,401,047	$ 1,462,669	$ 1,633,006	$ 2,405,798	$ 2,667,535
New Housing Units:						
Single Family	3,503	2,352	1,786	2,221	2,242	2,107
Multiple Family	3,942	2,802	1,204	1,121	3,038	4,086
Total	7,445	5,154	2,990	3,342	5,280	6,193

Source: Construction Industry Research Board (2007-10); California Homebuilding Foundation (2011-12).

Commercial Activity

Table 28 below sets forth information regarding taxable sales in San Diego County for calendar years 2007 and 2008. Table 29 below sets forth the taxable sales in the County for calendar years 2009 through 2011. Due to a revision in the business categories used by the Board of Equalization, the data for calendar years 2007 and 2008 are not directly comparable to the data for subsequent years, with calendar years 2009 through 2011 requiring a substantial change in presentation.

TABLE 28
SAN DIEGO COUNTY
TAXABLE SALES
2007 and 2008
(In Thousands)

Type of Business	2007[1]	2008[1]
Apparel Stores	$ 2,034,512	$ 2,205,568
General Merchandise	5,673,538	5,305,252
Specialty Stores[2]	--	--
Food Stores	1,994,237	1,868,466
Eating and Drinking Establishments	4,784,500	4,869,497
Home Furnishings/Appliances	1,420,933	1,590,329
Building Materials	2,768,385	2,183,006
Automotive[3]	6,321,987	5,010,084
Service Stations[3]	3,755,121	4,154,465
Other Retail Stores[2]	5,285,332	4,529,006
Business and Personal Services	2,298,265	2,255,309
All Other Outlets	11,149,178	11,358,155
TOTAL ALL OUTLETS:	$47,485,988	$ 45,329,136

Source: California State Board of Equalization, Taxable Sales in California.

(1) In early 2007 the California State Board of Equalization began a process of converting business codes of sales and use tax permit holders to North American Industry Classification System codes. As a result of the coding change process, industry data for 2007 and 2008 are not comparable with data from prior years.

(2) In 2007 and 2008, industry data for Specialty Stores were included in Other Retail Stores.

(3) Prior to 2007, industry data for Service Stations were included in Automotive.

TABLE 29
SAN DIEGO COUNTY
TAXABLE SALES
Calendar Years 2009 - 2011

Type of Business	2009	2010	2011
Retail and Food Services:			
Motor Vehicle and Parts Dealers	$ 4,196,256	$ 4,486,375	$ 1,285,011
Furniture & Home Furnishings Stores	823,551	835,433	232,041
Electronics & Appliance Stores	1,200,897	1,266,563	304,989
Building Materials and Garden Equipment and Supplies	1,841,740	1,945,310	519,420
Food and Beverage Stores	1,934,812	1,943,969	511,648
Health & Personal Care Stores	732,221	789,760	213,779
Gasoline Stations	3,153,090	3,663,149	1,147,495
Clothing and Clothing Accessories Stores	2,560,683	2,769,897	750,222
Sporting Goods, Hobby, Book & Music Stores	989,236	995,179	257,827
General Merchandise Stores	4,254,037	4,381,526	1,054,594
Miscellaneous Store Retailers	1,405,774	1,384,312	352,578
Food Services and Drinking Places	4,717,292	4,873,578	1,389,502
Nonstore Retailers	148,931	140,437	34,644
Total Retail and Food Services	$27,958,518	$29,475,489	$ 8,053,751
All Other Outlets	11,770,139	$12,148,147	$ 3,364,500
Totals All Outlets	$39,728,657	$41,623,636	$ 11,418,251

Source: California State Board of Equalization, Taxable Sales in California.

Personal Income

Table 30 below sets forth the median household income for San Diego County, the State, and the United States between 2007 and 2011.

TABLE 30
MEDIAN HOUSEHOLD INCOME[(1)]
2007 through 2011

Year	San Diego County	California	United States
2007	61,794	59,948	50,740
2008	63,026	61,021	52,029
2009	60,231	58,931	50,221
2010	59,923	57,708	50,046
2011	59,477	57,287	50,502

Source: U.S. Census Bureau – Economic Characteristics – American Community Survey.
(1) Estimated. In Inflation-adjusted dollars.

Foreclosures; Notices of Loan Default

The number of foreclosures and notice of loan defaults issued in San Diego County increased between calendar years 2008 and 2009, and has since declined. For the three calendar years from 2005 through 2007, an average 23.0% of notices of loan default resulted in foreclosures and an average of 2.2% of all deeds recorded were foreclosures. The percentage of notices of loan default resulting in foreclosures has increased in subsequent years and was 55.27% in 2011; the percentage of total deeds recorded that were foreclosures was 10.19% in 2011, down from 16.94% in 2008.The number of defaults and foreclosures have been attributed mainly to the prevalence of subprime home mortgage loans, which generally include a higher rate of interest than prime loans to compensate for the perceived increased credit risk of the borrower. The defaults and foreclosures on home mortgages have been offset by a variety of economic factors, including the growth in and diversification of the regional economy (see "Economic and Demographic Information – Regional Economy" herein.

Table 31 below sets forth information relating to notices of defaults and foreclosures in San Diego County for failure to pay mortgages from 2003 through March 31, 2013.

TABLE 31
NOTICES OF DEFAULT AND FORECLOSURES
Calendar Years 2003 through August 31, 2012

Calendar Year	Notices of Default	Foreclosures
2003	5,167	566
2004	4,260	553
2005	5,080	559
2006	10,294	2,065
2007	22,194	8,416
2008	34,069	19,577
2009	38,308	15,487
2010	24,835	13,467
2011	22,101	12,216
2012	16,597	7,195
2013(1)	1,919	1,136

Source: County of San Diego Assessor/Recorder/County Clerk.
(1) Year-to-date figure as of March 31, 2013.

Transportation

Surface, sea and air transportation facilities serve County residents and businesses. Interstate 5 parallels the coast from Mexico to the Los Angeles area and points north. Interstate 15 runs inland, leading to Riverside-San Bernardino, Las Vegas, and Salt Lake City. Interstate 8 runs eastward through the southern United States.

San Diego's International Airport (Lindbergh Field) is located approximately three miles northwest of the downtown area and sits on 614 acres. The facilities are owned and maintained by the San Diego County Regional Airport Authority and are leased to commercial airlines and other tenants. The airport is California's third most active commercial airport, served by 18 passenger carries and six cargo carriers. In addition to San Diego International Airport there are two naval air stations and eight general aviation airports located in San Diego County.

Public transit in the metropolitan area is provided by the Metropolitan Transit Development Board. The San Diego Trolley, developed by the Metropolitan Transit Development Board beginning in 1979, has been expanded. A total of 17.6 miles were added to the original 108 miles; construction was completed in 1990.

San Diego is the terminus of the Santa Fe Railway's main line from Los Angeles. Amtrak passenger service is available at San Diego, with stops at Solana Beach and Oceanside in the North County.

San Diego's harbor is one of the world's largest natural harbors. The Port of San Diego is administered by the San Diego Unified Port District, which includes the cities of San Diego, National City, Chula Vista, Imperial Beach, and Coronado.

Visitor and Convention Activity

The climate, proximity to Mexico, multiple maritime facilities, and various attractions such as the San Diego Zoo and Wild Animal Park, Sea World, Cabrillo National Monument, and Palomar Observatory contribute to a high level of visitor and convention business each year. Contributing to the growth of visitor business has been the development of the 4,600-acre Mission Bay Park at San Diego and the construction of meeting and convention facilities at the San Diego Community Concourse.

San Diego's visitor industry is a major sector of the region's economy. Visitor revenues in San Diego County reached approximately $7.08 billion in 2010, according to an estimate by the San Diego Convention and Visitors Bureau (the "Visitors Bureau"), an increase of approximately 120 million, or 1.7%, from the prior year. San Diego County hosted 64 conventions and trade shows in 2010, attended by approximately 543,931 delegates.

Education

Forty-two independent school districts provide educational programs for the elementary and secondary public school children in San Diego County. Each school system is governed by a locally elected board of education and administered by a superintendent or other chief administrative officer appointed by the board of education. In San Diego County there are three types of school districts: elementary, union high and unified. Elementary districts educate elementary students, union high districts educate for the most part secondary students, and unified districts educate both elementary and secondary students. There are currently 12 unified, 24 elementary and 6 union high school districts in San Diego County.

Community colleges in California are locally operated and administered two-year institutions of higher education. They offer Associates in Arts and Associates in Science degrees and have extensive vocational curricula. There are five community college districts in San Diego County with students at eleven campuses and numerous adult and community centers.

Among the institutions of higher education offering bachelors and graduate programs in metropolitan San Diego are San Diego State University, the University of California, San Diego, National University, the University of San Diego, Point Loma Nazarene University, California State University – San Marcos, Alliant International University, the University of Phoenix, Thomas Jefferson School of Law and California Western School of Law.

APPENDIX B

INFORMATION REGARDING THE DISTRICTS

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APPENDIX B

INFORMATION REGARDING THE DISTRICTS

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STATE AND FEDERAL FUNDING OF EDUCATION

Major Revenues

The Districts' principal revenues consist of guaranteed State moneys, *ad valorem* property taxes and funds received from the State and federal government in the form of categorical aid under ongoing programs of local assistance. The majority of the funding that the Districts receive is determined by the State revenue limit formula. This apportionment formula is funded by State general fund moneys, including amounts from the Education Protection Account (the "EPA") created in the State general fund to receive and disburse revenues derived from the incremental increases in taxes resulting from herein described Proposition 30, and local *ad valorem* property taxes, and is allocated to the school districts based on the average daily attendance ("ADA") of the school districts for either the current or preceding school year. All State apportionment of revenue limit aid ("State Aid") is subject to the appropriation of funds in the State's annual budget, and is based on the amount of the school district's revenue limit remaining after taking into account its EPA entitlement and local property tax allocation. State revenue limit is based on an amount of support per pupil and revenue limit calculations are adjusted annually by a legislatively determined cost of living adjustment in accordance with a number of factors, primarily to provide cost of living increases and to equalize revenues among all California school districts of the same type (*i.e.*, all unified school districts, all high school districts or all elementary school districts). The per-pupil amount is multiplied by the respective school district average daily attendance to determine the total revenue limit. Decreases in State revenues may affect appropriations made by the State Legislature to school districts, including the Districts. See "State and Federal Funding of Education - Recent State Budgets" herein.

Each District receives a portion of the local *ad valorem* property taxes that are collected within its district boundaries. This amount, together with amounts allocated to a District from the EPA, is compared to the total revenue limit; the balance is received in the form of State aid. Therefore, State Aid received by a District consists of EPA funds and the portion of State apportionment of funds after the offset from local property taxes. Districts that have local property tax collections that equal or exceed their respective revenue limits (the "Basic Aid" districts) are permitted to keep all of their property tax revenues and receive only certain constitutionally guaranteed basic aid funding from the State in the form of categorical funding. The implication for Basic Aid districts is that the legislatively determined annual cost of living adjustment and other politically determined factors are less significant in determining such districts primary funding sources. Rather, property tax growth and the local economy become the determining factors. Cardiff School District, Carlsbad Unified School District, Encinitas Union School District and San Dieguito Union High School District are each "Basic Aid" districts; none of the other Districts are "Basic Aid" districts.

A small part of a school district's budget is from local sources other than property taxes, such as interest income, donations and sales of property. A significant portion of a school district's budget comes from categorical funds provided exclusively by the State and federal government. These funds are to be used for specific programs and typically cannot be used for any other purpose. The California lottery is another source of funding for school districts, providing approximately 2% of a school district's budget. Every school district receives the same amount of lottery funds per pupil from the State; however, these are not categorical funds as they are not for particular programs or children. The initiative authorizing the lottery requires the funds to be used exclusively for the education of pupils and students and no funds are to be spent for acquisition of real property, construction of facilities, financing of research, or any other non-instructional purpose.

The State revenue limit was first instituted in Fiscal Year 1973-74 to provide a mechanism to calculate the amount of general purpose revenue a school district is entitled to receive from State and local sources. Prior to Fiscal Year 1973-74, taxpayers in districts with low property values per pupil paid higher tax rates than taxpayers in districts with high property values per pupil. However, despite higher tax rates, less was spent per pupil in districts with low property values per pupil than districts with high property values per pupil. By disconnecting the amount of revenue to be spent per ADA from the tax rate needed to generate it, the State revenue limit helps to alleviate the inequities derived from varying property values among districts.

The State revenue limit is calculated three times a year for each school district. The first calculation is performed for the February 20th First Principal Apportionment, the second calculation for the June 25th Second Principal Apportionment, and the final calculation for the end of the year Annual Principal Apportionment. Calculations are reviewed by the appropriate county and submitted to the State Department of Education to review the calculations for accuracy, calculate the amount of State aid owed to such school districts and notify the State Controller of the amount, who then distributes the State aid. See "State and Federal Funding of Education — Recent State Budgets" and " - State Cash Management Plan" herein for information regarding the deferred apportionments during Fiscal Years 2011-12 and 2012-13.

The calculation of the amount of State aid a school district is entitled to receive each year is basically a five-step process. First, the prior year State revenue limit per ADA is established, with recalculations as are necessary for adjustments for equalization or other factors. Second, the adjusted prior year State revenue limit per ADA is adjusted according to formulas based on the implicit price deflator for government goods and services and the statewide average State revenue limit per ADA for the school districts. Third, the current year's State revenue limit per ADA for each school district is multiplied by such school district's ADA for either the current or prior year. Fourth, revenue limit adjustments are calculated for each school district that qualifies for the adjustments. Adjustments include the necessary small school district adjustments and meals for needy pupils and are added to the State revenue limit for each qualifying school district. Finally, local property tax revenues and EPA funds are deducted from the State revenue limit to arrive at the amount of State aid, based on the State revenue limit, to which each school district is entitled for the current year.

Federal Revenues

The federal government provides funding for several Districts' programs, including programs that benefit educationally disadvantaged students and students with limited English skills, and that provide other specialized services to students and administration. See "– Recent State Budgets - State Budget for Fiscal Year 2012-13" herein for a description of additional federal funding for which certain of the Districts may be eligible.

State Budget Process Related to Funding of Education

General. As is true for all school districts in California, operating income of each District consists primarily of two components: a State portion funded from the State's general fund (including amounts funded from the EPA within the State general fund) and a local portion derived from each Districts' share of the 1% local *ad valorem* property tax authorized by the State Constitution. School districts may be eligible for other special categorical funding, including for State and federal programs. As a result, decreases in State revenues or in State legislative appropriations made to fund education, may significantly affect the operations of the Districts.

According to the State Constitution, the Governor of the State is required to propose a budget to the State Legislature no later than January 10 of each year, and a final budget must be adopted by a two-thirds vote of each house of the State Legislature no later than June 15 of each year, although this deadline is routinely breached. The State's budget becomes law upon the signature of the Governor, who may veto specific items of expenditure. On May 29, 2002, the State Court of Appeal held in *White v. Davis* (also referred to as *Jarvis v. Connell*) that the State Controller cannot disburse State funds after the beginning of the Fiscal Year until the adoption of the budget bill or an emergency appropriation, unless the expenditure is: (1) authorized by a continuing appropriation found in statute, (2) mandated by the Constitution (such as appropriations for salaries of elected state officers), or (3) mandated by federal law (such as payments to State workers at no more than minimum wage). The court specifically held that the State Constitution does not mandate or otherwise provide for appropriations for school districts without an adopted budget. Nevertheless, the Controller believes that statutory implementation of the constitutional school funding formula provides for a continuing appropriation of State funding for schools, and has indicated that payment of such amounts would continue during a budget impasse. Special and categorical funds would not be appropriated until a budget or emergency appropriation is adopted. The Controller has posted guidance as to what can and cannot be paid during a budget impasse at its website: www.sco.ca.gov. Should the State Legislature fail to pass the budget or emergency appropriation before the start of any Fiscal Year, the Districts might experience delays in receiving certain expected revenues. The Districts are authorized to borrow temporary funds to cover their respective annual cash flow deficits, and as a result of the *White* decision, the Districts might find it necessary to increase the size or frequency of their cash flow borrowings, or to borrow earlier in the Fiscal Year.

State income tax, sales tax, and other receipts can fluctuate significantly from year to year, depending on economic conditions in the State and the nation. Because funding for education is closely related to overall State income, as described in this section, funding levels can also vary significantly from year to year, even in the absence of significant education policy changes. Brief descriptions of the adopted State Budget for Fiscal Year 2012-13, the proposed State budget for Fiscal Year 2013-14 and the May Revision to the proposed State budget for Fiscal Year 2013-14 are included below. Information about the State budget and State spending for education is regularly available at various State-maintained websites. Text of adopted budgets may be found at the website of the Department of Finance, www.dof.ca.gov, under the heading "California Budget". An impartial analysis of the budget is posted by the State's Legislative Analyst's Office ("LAO") at www.lao.ca.gov. In addition, various State of California official statements, many of which contain a summary of the current and past State budgets and the impact of those budgets on school districts within the State, may be found at the website of the State Treasurer, www.treasurer.ca.gov. The information contained in the websites referred to herein is prepared by the respective State agency maintaining each website and not by the Districts. The Districts have not independently reviewed the information in these websites and the Districts take no responsibility for the continued accuracy of the internet addresses or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated herein by those references.

Aggregate State Education Funding. Under Proposition 98, a constitutional and statutory amendment adopted by the State's voters in 1988 and amended by Proposition 111 in 1990 (now found at Article XVI, Sections 8 and 8.5 of the Constitution) ("Proposition 98"), a minimum level of funding is guaranteed (the "Proposition 98 Guarantee") to school districts, community college districts, and other State agencies that provide direct elementary and secondary instructional programs for kindergarten through grade 14 (K through 14).

The guaranteed funding amount for K through 14 education is based on prior-year funding, as adjusted through various formulas and tests that take into account State proceeds of taxes, local property tax proceeds, school enrollment, per-capita personal income, and other factors. The State's share of the guaranteed amount is based on State General Fund tax proceeds and is not based on the State General Fund in total or on the State budget. The local share of the guaranteed amount is funded from local property taxes. The total guaranteed amount varies from year to year and throughout the stages of any given Fiscal Year's budget, from the Governor's initial budget proposal to actual expenditures, as the various factors change. Over the long run, the guaranteed amount will increase as enrollment and per-capita personal income grow. On average, about 40 percent of State General Fund tax proceeds are spent on the State's share of Proposition 98 funding.

The Proposition 98 Guarantee may be suspended for one year at a time by enactment of an urgency statute. In subsequent years in which State General Fund revenues are growing faster than personal income (or sooner, as the State Legislature may determine), the funding level must be restored to the guaranteed amount. However, the amount of underfunding during suspension of Proposition 98 Guarantee will result in permanent savings to the State.

When State General Fund revenues have failed to reach budgeted levels, the State has implemented a number of retroactive funding adjustments and deferrals within and across fiscal years, distorting funding over many years, making cross-year comparisons difficult, and making short- and long-term budgeting difficult for school and community college districts. In several years in the early 1990s, as the State's economy was sliding into a recession, the State's budgeted allocations for school and community college districts proved to be more than the Proposition 98 Guarantee would have required. The excess amounts were later treated by the State as advances to K through 14 education against subsequent years' Proposition 98 Guarantee, resulting in aggregate funding reductions of over $1 billion in those subsequent years. In 2003-04, 2004-05 and 2008-09, the worsening State financial position again resulted in retroactive adjustments as well as current-year cuts. LAO reported that legislative actions in mid-Fiscal Year 2002-03 eliminated $2.5 billion from budgeted Proposition 98 funding through a combination of deferral of expenditures to Fiscal Year 2003-04, use of one-time funds, captured program savings, and other cuts. In general, deferral of education expenditures and reductions in the components of Proposition 98 funding have the effect of reducing the base from which the Proposition 98 Guarantee is calculated in the future. Legislation enacted in March 2003 permanently defers the apportionment of Proposition 98 funds, scheduled each year for June, to each July 2, and thereby deferring apportionment from one Fiscal Year to the next. These and other techniques significantly reduced the amount of the Proposition 98 Guarantee for Fiscal Years 2003-04 and subsequent fiscal years. See "State and Federal Funding of Education - Recent State Budgets - State Cash Management Plan" herein for information regarding additional deferred apportionments.

State Budget for Fiscal Year 2012-13

On June 28, 2012, the Governor signed the State Budget Act for Fiscal Year 2012-13 (the "2012-13 State Budget Act") which approved legislation to eliminate a previously projected deficit of $16.6 billion through June 30, 2013. The 2012-13 State Budget Act estimated revenues and expenditures assuming California Proposition 30 ("Proposition 30") was approved by voters in the State, among other assumptions. In the event Proposition 30 were not approved, the 2012-13 State Budget proposed $5.95 billion in trigger cuts that would go into effect on January 1, 2013.

Proposition 30 was approved by voters in the State on November 6, 2012. The 2012-13 State Budget Act further projected that under current projections and assuming voter approval of the Proposition 30, the State's budget for Fiscal Year 2012-13 will be balanced in an ongoing manner. Based on the assumptions and projections contained therein, the 2012-13 State Budget Act estimated Fiscal Year 2012-13 revenues and transfers of $95.89 billion, total expenditures of $91.34 billion and a year-end surplus of $1.67 billion (net of the negative $2.88 billion prior-year State General Fund balance) in the State General Fund. The 2012-13 State Budget Act allocates $719 million of the projected surplus to the reserve for the liquidation of encumbrances and $948 million of the projected surplus to the special fund for economic uncertainties.

Features of the 2012-13 State Budget Act affecting school districts in general include, but are not limited to, the following:

1. The 2012-13 State Budget Act proposed to fully fund the Proposition 98 at \$53.6 billion, of which \$36.8 billion would come from the State General Fund. The 2012-13 State Budget Act proposed Proposition 98 expenditures assumed passage of Proposition 30, which would increase Proposition 98 funding by \$2.9 billion in Fiscal Year 2012-13 and increase Proposition 98 funding by more than \$17 billion over a four-year period.

2. The fully funded Proposition 98 base of \$53.6 billion was partially funded through certain methods: (A) The 2012-13 State Budget Act decreases Proposition 98 General Fund spending by approximately \$630 million due to (1) elimination of the adjustment provided to hold schools harmless from the elimination of the sales tax on gasoline in Fiscal Year 2010-11 and (2) the use of a consistent current value methodology to rebench the Proposition 98 minimum guarantee for the exclusion of childcare programs, the inclusion of special education mental health services and new and existing property tax shifts. The 2012-13 State Budget Act also reduced appropriations for several programs in the aggregate amount of \$220.1 million and allocates one-time Proposition 98 General Fund revenues to fund the programs. (B) The 2012-13 State Budget Act decreased General Fund spending for QEIA by approximately \$450 million in Fiscal Year 2012-13. The State applied an overappropriation of Proposition 98 funds in Fiscal Year 2011-12 to prepay the \$450 million required payment for Fiscal Year 2012-13. In addition, the 2012-13 State Budget Act proposed to allocate \$181 million and \$40.8 million to the required QEIA payments for Fiscal Year 2013-14 and Fiscal Year 2014-15, respectively, from the Fiscal Year 2011-12 overappropriation of funds.

3. The 2012-13 State Budget Act included a \$2.1 billion increase in Proposition 98 General Fund to reduce Cross-Fiscal Year Deferrals (as defined in the forepart of this Official Statement) for K-12 school districts to \$7.4 billion from \$9.5 billion. Although the 2012-13 State Budget Act increased funds for State Aid payments to schools in Fiscal Year 2012-13, the State imposed a new \$6.9 billion Intra-Fiscal Year Deferral in connection with Proposition 30 that is expected to be repaid to schools in June 2013.

4. The 2012-13 State Budget Act increased the voluntary block grant program for mandates to \$166.6 million which reflects an increase of \$86.2 million compared to Fiscal Year 2011-12. Under the block grant program, participating school districts and county offices of education would receive \$28 per student. If a school district or county office of education chose not to participate in the program, the State's existing reimbursement process for claims would remain available.

5. In *California Redevelopment Association et al. v. Matosantos et al.*, the California Supreme Court upheld Assembly Bill 26 of the 2010-11 First Extraordinary Session, which led to the dissolution of all redevelopment agencies within the State on February 1, 2012. The 2012-13 State Budget Act continued the State's framework pursuant to which assets previously held by redevelopment agencies would be used to cities, counties and special districts to fund core public services and to school districts to offset State General Fund costs. The 2012-13 State Budget Act projected that there would be approximately \$1.5 billion in savings to the State General Fund as a result of such transfers. Further, the projected increase in local revenue would reduce Proposition 98 expenditures by the same amount. See "State Funding of Education - Litigation Regarding Redevelopment Agency Revenues and Education Expenditures" herein.

State Budget for Fiscal Year 2013-14

Fiscal Year 2013-14 Proposed State Budget. On January 10, 2013, Governor Edmund G. Brown released his 2013-14 Proposed Budget (the "Fiscal Year 2013-14 Proposed State Budget"), which projects Fiscal Year 2012-13 revenues and transfers of $95.39 billion, total expenditures of $92.99 billion and a year-end surplus of $785 million (net of the $1.62 billion deficit from Fiscal Year 2011-12), of which $618 million would be reserved for the liquidation of encumbrances and $167 million would be deposited in a reserve for economic uncertainties. The Fiscal Year 2013-14 Proposed State Budget projects Fiscal Year 2013-14 revenues and transfers of $98.50 billion, total expenditures of $97.65 billion and a year-end surplus of $1.64 billion (inclusive of the projected $785 million State General Fund balance for Fiscal Year 2012-13), of which $618 million would be reserved for the liquidation of encumbrances and $1.02 billion would be deposited in a reserve for economic uncertainties. The Fiscal Year 2013-14 Proposed State Budget states that the State's budget remains balanced by a small margin and cautions that the occurrence of certain events, including among other things, shifts of costs to the State from the federal government, the uncertainty of the economic recovery in the State and the country, actions taken by the federal government and the judicial system and rising health care costs pose significant risks to the State's budget projections.

Certain of the features of the Fiscal Year 2013-14 Proposed State Budget which could affect schools in the State include the following:

1. The Fiscal Year 2013-14 Proposed State Budget proposes Proposition 98 funding of $56.2 billion in Fiscal Year 2013-14, which represents an increase of approximately $2.7 billion from the revised funding levels for Fiscal Year 2012-13 and includes amounts from the Education Protection Account established pursuant to Proposition 30. Accordingly, the Governor projects that Proposition 98 per pupil spending will increase from $7,967 in Fiscal Year 2012-13 to $8,304 in Fiscal Year 2013-14. The Fiscal Year 2013-14 Proposed State Budget estimates that revenues attributable to Proposition 30 will provide an increase of approximately $526 million to the Proposition 98 minimum guarantee for Fiscal Year 2013-14.

2. The Fiscal Year 2013-14 Proposed State Budget states that the revised Proposition 98 minimum guarantee for Fiscal Year 2012-13 will be $162.8 million below the level appropriated from the General Fund. Accordingly, the Fiscal Year 2013-14 Proposed State Budget proposes to use this $162.8 million to retire future funding obligations under the terms of the *CTA v. Schwarzenegger* settlement agreement.

3. The State appropriated approximately $2.2 billion in Fiscal Year 2012-13 to repay a portion of the outstanding Cross-Fiscal Year Deferrals (as defined in the forepart of this Official Statement). The Fiscal Year 2013-14 Proposed State Budget includes an increase of approximately $1.9 billion of Proposition 98 appropriations to reduce Cross-Fiscal Year Deferrals outstanding. The Fiscal Year 2013-14 Proposed State Budget estimates that the total outstanding deferral debt for K-12 school districts will be reduced to $6.3 billion by June 30, 2014 if the proposed repayment of Cross-Fiscal Year deferrals is approved. See "The Series B Notes - Cash Flow Projections and Assumptions - State Cash Management Plan" in the forepart of this Official Statement.

4. The Fiscal Year 2013-14 Proposed State Budget includes the Governor's school district funding formula proposal (the "Local Control Funding Formula"). The Local Control Funding Formula would, if approved and implemented, consolidate K-12 revenue limits and almost all of the State's categorical programs into one funding formula with limited programmatic spending requirements. The Local Control Funding Formula would, if approved, distribute resources to schools through a base revenue limit funding grant per unit of average daily attendance with additional supplemental funding.

Pursuant to the Local Control Funding Formula, when the proportion of English language learners and economically disadvantages students of a school district exceeds 50% of such district's student population, the school district will receive an additional concentration grant equal to 35% of the base grant for each English language learner and economically disadvantaged student above the 50% threshold. If the Local Control Funding Formula is implemented, the Districts would qualify for the supplemental grant based upon the demographics of its current student population. The Districts are currently evaluating the impact of the Local Control Funding Formula.

5. The Fiscal Year 2013-14 Proposed State Budget proposes school district accountability measures, pursuant to which the State would require each school district to adopt a student achievement plan (each, a "District Plan for Student Achievement") in connection with such school district's annual budget and spending plan. If the accountability proposals are approved, the content of each District Plan for Student Achievement would be primarily left to the discretion of the school district. However, the State would require each District Plan for Student Achievement to address the manner in which State funds are used to improve basic conditions for student achievement, programs or instruction that benefit low-income students and English language learners, the implementation of content standards and progress toward college and career readiness.

6. The Fiscal Year 2013-14 Proposed State Budget proposes to increase the flexibility granted to school districts with respect to funds on hand by eliminating the minimum contribution requirement for routine maintenance and the required local district set-aside for deferred maintenance contributions. In addition, if approved, the State would permit school districts to use the proceeds from the sale of any real or personal surplus property for any one-time general fund expenditures. Further, the Fiscal Year 2013-14 Proposed State Budget, if approved, would authorize school districts to reduce the school year by up to five days or the equivalent number of minutes without incurring penalties and to reduce the required level of budgetary reserves.

7. The 2012-13 State Budget Act created an alternative method for school and community college districts to receive compensation for performing State-mandated activities by creating a K-12 block grant. The Fiscal Year 2013-14 Proposed State Budget proposes to increase the K-12 block grant by approximately $100 million to fund the block grants for the graduation requirement program and the behavioral intervention plan.

8. The Fiscal Year 2013-14 Proposed State Budget proposes to allocate $400.5 million of Proposition 39 funding in Fiscal Year 2013-14 to a special fund for schools and community college districts to support energy efficiency measures. Such measures would include, among other things, construction or modernization of buildings, purchasing energy efficiency equipment and installation of solar panels and geothermal pumps. The Governor has stated that the transfers to the special fund will be considered an allocation towards the Proposition 98 minimum guarantee.

9. The Fiscal Year 2013-14 Proposed State Budget proposes to include the COLA for school district revenue limits in the Local Control Funding Formula. The Fiscal Year 2013-14 Proposed State Budget proposes to allocate $62.8 million for a 1.65% cost-of-living adjustment for certain categorical programs that would not be included within the Local Control Funding Formula, if approved. Such programs would include Special Education, Child Nutrition, American Indian Education Centers, and the American Indian Early Childhood Education Program.

LAO Analysis of the 2013-14 Proposed State Budget. On January 14, 2013, the LAO released a report entitled "The 2013-14 Budget: Overview of the Governor's Budget" (the "2013 LAO Budget Overview"), which provides an analysis by the LAO of the Fiscal Year 2013-14 Proposed State Budget. The 2013 LAO Budget Overview is available on the LAO website at www.lao.ca.gov. Information on the website is not incorporated herein by reference. The 2013 LAO Budget Overview states that the Fiscal Year 2013-14 Proposed State Budget reflects a significant improvement in the State's finances due to, among other things, the economic recovery, prior budgetary restraint, and voters' approval of temporary tax increases. However, the LAO cautions that there are still considerable risks to revenue estimates. In addition, the LAO estimates that the State will not have sizable reserves by the end of Fiscal Year 2016-17 or begun to address huge unfunded liabilities associated with the teachers' retirement system and State retiree health benefits.

According to the LAO, the State's underlying expenditures and revenues are generally balanced and, with the exception of education funding, the programs and services funded from the State's General Fund would operate at the same level in Fiscal Year 2013-14 as compared to Fiscal Year 2012-13. The LAO cautions that the State's budget will continue to face risks including, among other things, uncertainty at the federal level over "fiscal cliff" issues related to the debt limit and sequestration and volatility in the State's revenue structure. In addition, the LAO recommends that the Governor conduct initial analysis of the economic impact of the proposed the Local Control Funding Formula and the State's options to implement Medi-Cal expansion in connection with the federal Affordable Care Act. The LAO states that as they will have a significant impact upon the State's budget in Fiscal Year 2013-14 and subsequent years.

May Revision to the Fiscal Year 2013-14 Proposed State Budget. On May 14, 2013, the Governor released his May Revision to the 2013-14 Proposed State Budget (the "May Revision"), which projects Fiscal Year 2012-13 revenues and transfers of $98.19 billion, total expenditures of $95.69 billion and a year-end surplus of $850 million (net of the $1.66 billion deficit from Fiscal Year 2011-12), of which $618 million would be reserved for the liquidation of encumbrances and $232 million would be deposited in a reserve for economic uncertainties. The May Revision projects Fiscal Year 2013-14 revenues and transfers of $97.24 billion, total expenditures of $96.35 billion and a year-end surplus of $1.73 billion (inclusive of the projected $850 million State General Fund balance as of June 30, 2013 which would be available for Fiscal Year 2013-14), of which $618 million would be reserved for the liquidation of encumbrances and $1.11 billion would be deposited in a reserve for economic uncertainties. The May Revision states that the State's budget is projected to remain balanced due to, among other things, the reduction in expenditures and the receipt of temporary tax revenues from Proposition 30. However, the May Revision cautions that uncertainty with respect to the pace of the economic recovery in the State and the country, the outcome of pending litigation with respect to prison crowding and healthcare, rising health care costs, the outcome of pending litigation with respect to the dissolution of redevelopment agencies, shifts of costs to the State from the federal government and other actions taken by the federal government such as the Sequestration Executive Order pose significant risks to the State's budget projections.

Certain of the features of the May Revision which could affect schools in the State include the following:

1. The May Revision proposes Proposition 98 funding of $56.5 billion in Fiscal Year 2012-13, which represents an increase of approximately $2.9 billion from the projected funding levels for Fiscal Year 2012-13 and includes amounts from the Education Protection Account established pursuant to Proposition 30. The May Revision proposes Proposition 98 funding of $55.3 billion in Fiscal Year 2013-14, including $39.9 billion of Proposition 98 General Fund expenditures. The May Revision projects steady growth in Proposition 98 minimum guarantee and projects that Proposition 98 funding for K-12 education in Fiscal Year 2016-17 will be approximately $17.4 billion greater than Fiscal Year 2011-12.

2. The Governor projects that Proposition 98 per pupil spending for K-12 education will increase from $7,175 in Fiscal Year 2011-12 to $8,221 in Fiscal Year 2013-14. Further, if the State Legislature approves the Local Control Funding Formula, the Governor proposes to appropriate $1 billion, which would approximately $170 per student, to school districts to support the implementation of new standards for evaluating student achievement in English-language arts and math.

3. The State estimated that the Proposition 98 appropriations were approximately $162.8 million greater than the Proposition 98 minimum guarantee at the time the Governor released the Fiscal Year 2013-14 Proposed State Budget in January 2013. The Fiscal Year 2013-14 Proposed State Budget proposed to apply the over-appropriated amount of $162.8 million toward future funding obligations under the terms of the *CTA v. Schwarzenegger* settlement agreement. The May Revision proposes to make the settlement payment on the existing schedule rather than apply over-appropriated amounts from Fiscal Year 2012-13.

4. The May Revision proposes to apply approximately $1.6 billion of one-time Proposition 98 appropriations to reduce outstanding Cross-Fiscal Year Deferrals. The May Revision estimates that the total outstanding deferral debt for K-12 school districts will be reduced to $4.9 billion by June 30, 2014 if the proposed repayment of Cross-Fiscal Year deferrals is approved,

5. The May Revision includes modifications to the Local Control Funding Formula proposal set forth the in the 2013-14 Proposed State Budget. Pursuant to the May Revision, the Local Control Funding Formula would include: (1) a base grant for each local education agency equal to the Fiscal Year 2007-08 Statewide average undeficited revenue limit upon full implementation, (2) an adjustment of 11.23% to the base grant to support lower class sizes in kindergarten through the third grade, (3) an adjustment of 2.8% to reflect the cost of operating career technical education programs in high schools, (4) a 35% supplemental grant for English learners, students from low-income families and foster youth to reflect increased costs associated with educating such student groups, and (5) an additional concentration grant, not to exceed 17.5% of a local education agency's base grant, based on the number of English learners, students from low-income families and foster youth served by such local education agency when such student groups comprise more than 50% of enrollment. The Governor projects that the Local Control Funding Formula would ensure that no school receives less funding than such school received during Fiscal Year 2012-13. The Districts are currently evaluating the impact of the Local Control Funding Formula.

6. The May Revision proposes to consolidate several programs which receive funding for special education and provide greater flexibility for Special Education Local Plan Areas. In addition, the May Revision proposes to increase Proposition 98 General Fund expenditures by $60.7 million for special education programs to backfill a reduction in funding caused by Sequestration Executive Order.

7. The May Revision continues the Governor's proposal to allocate $400.5 million of funding relating to Proposition 39 of 2012 to a special fund for schools and community college districts to support energy efficiency measures. The May Revision proposes a minimum grant level of $15,000 for small local education agencies and proposes a grant level for other local education agencies based on the greater of $50,000 or their per-ADA distribution. Further, the May Revision proposes an increase of $12.5 million for K-12 energy efficiency projects based on higher Proposition 39 revenues.

8. The May Revision withdraws the proposal to restructure the adult education system set forth in the Fiscal Year 2013-14 Proposed State Budget. Instead, the May Revision proposes to maintain the status quo for existing school district and community college district adult education programs for two years. The May Revision proposes that school districts and community college districts transition to adult education partnership programs which would be comprised of regional educational providers. The

regional education providers would determine the programs needed for their communities and how to best allocate State resources. The May Revision proposes to provide $30 million of Proposition 98 General Fund appropriations in Fiscal Year 2013-14 for two-year planning and implementation grants and $500 million of Proposition 98 General Fund appropriations in Fiscal Year 2015-16 to fund adult education schools operated by such regional educational providers.

LAO May Overview of the May Revision. On May 17, 2013, the LAO released an analysis of the May Revision entitled "The 2013-14 Budget: Overview of the May Revision" (the "LAO May Revision Overview"). The LAO May Revision Overview states that the LAO does not agree with the administration's view that there has been a significant dimming of the State's near-term economic prospects. However, in light of the relatively little benefit to be realized by the State's General Fund even if higher revenue calculations were adopted, the LAO May Revision Overview states that there remain good reasons for the Legislature to adopt a cautious budget posture. The LAO May Revision Overview states that the LAO believes the administration's proposed approach of using new one-time funds from Fiscal Year 2012-13 for one-time initiatives such as the acceleration of deferral pay downs is prudent and the proposal to build up ongoing programmatic spending is reasonable. However, the LAO cautions that future surpluses may not materialize due to, among other things, lower than expected revenues, rapid increases to health and human services costs, and the eventual expiration of Proposition 30 tax rate increases. The LAO May Revision Overview further states that this is an ideal time for the Legislature to begin addressing the budgetary and retirement liabilities and, given the presence of various risks to the economic outlook and the State's budgetary volatility, building larger State budget reserves in the coming years.

State Cash Management Legislation. Since 2002, the State has engaged in the practice of deferring certain apportionments to school districts in order to manage the State's cash flow. This practice has included deferring certain apportionments within a fiscal year from one month to a subsequent month and deferring certain apportionments from one fiscal year to the next. These "crossyear" deferrals have been codified and are expected to be on-going. Legislation enacted with respect to Fiscal Year 2011-12 provides for additional inter-fiscal year deferrals. On May 23, 2012, the Governor signed into law Assembly Bill 103 (Chapter 13, Statutes of 2012) ("AB 103") which extends certain provisions of SB 82 into Fiscal Year 2012-13. AB 103 addressed the State's ongoing cash crisis by deferring a variety of K–14 payments within fiscal year 2012–13 and requires that Fiscal Year 2012–13 K–14 payments that would otherwise be made in four separate months be deferred and repaid later in Fiscal Year 2012–13. Specifically, Government Code Section 16326(a)(2) requires that $1.2 billion in K–12 payments be deferred from July 2012, with $700 million paid in September 2012 and $500 million paid in January 2013; $600 million be deferred from August 2012 to January 2013; $800 million be deferred from October 2012 to January 2013; and $900 million be deferred from March 2013 to April 2013. AB 103 permits schools to apply for an exemption from the July, August, and October 2012 and the March 2013 deferrals. Due to the late enactment of AB 103, the State Department of Finance has agreed to accept applications as late as June 15, 2012. AB 103 provides a second opportunity to apply by January 4, 2013, for exemption from the March 2013 to April 2013 deferral. The second application process for the March 2013 exemption will be available in December 2012. None of the Districts applied for exemption from the deferrals under AB103.

Future State Budgets. Under State law, the State Legislature is required to adopt its budget by June 15 of each year for the upcoming fiscal year, with approval by the Governor to occur on June 30. Following the implementation of Proposition 25 (permitting State budget passage with a simple majority and mandating forfeiture of Legislators' daily salaries until the budget bill passes), the Governor signed the 2011-12 Budget on June 30, 2011. However, the Governor signed the 2010-11 Budget on October 8, 2010, the latest budget in the State's history. The Participants cannot fully anticipate future delays in State budget adoption or their impact. The events leading to the inability of the State Legislature to pass a budget in a timely fashion are not unique, and the Participants cannot predict what circumstances may cause a similar failure in future years. In each year where the State budget lags adoption of each Participant's budget, it will be necessary for each Participant's staff to review the consequences of the changes, if any, at the State level from the proposals in the Governor's May Revision for that year, and determine whether such Participant's budget will have to be revised. In addition, the Participants cannot predict the effect that the general economic conditions within the State and the State's budgetary problems may have in the future on the Participants' budgets or operations.

Potential Impact of the 2013-14 Proposed State Budget and May Revision on the Districts. The following table sets forth the projected revenue limits per ADA, prior to application of the deficit factor, for each District based upon the 2013-14 Proposed State Budget and May Revision. See "-State Cash Management Plan" for a description of deferrals of school district funding.

PROJECTED BASE REVENUE LIMIT PER ADA
Fiscal Year 2013-14

District	Projected Base Revenue Limit[1]
Cardiff School District	$6,499.54
Carlsbad Unified School District	6,802.31
Encinitas Union School District	6,522.70
Fallbrook Union High School District	7,864.10
Grossmont Union High School District	7,867.00
La Mesa - Spring Valley School District	6,523.05
National School District	6,518.48
Ramona Unified School District	6,814.41
San Dieguito Union High School District	7,818.08

Source: San Diego County Office of Education.
(1) Based on the May Revision to the 2013-14 Proposed State Budget. Reflects amounts prior to application of the deficit factor.
(2) Projection provided by the District.

Future State Budgets. The Districts and the County cannot predict what actions will be taken in the future by the State Legislature and the Governor to address the State's current or future budget deficits. Future State budgets will be affected by national and State economic conditions and other factors over which the Districts will have no control. To the extent that the State budget process results in reduced revenues or increased expenses for the Districts and the County, the Districts and the County will be required to make adjustments to their respective budgets. In the event of revision to the 2012 State Budget Act includes decreases in a District's revenues or increases in required expenditures by such District from the levels assumed by such District, such District will be required to generate additional revenues, curtail programs and/or services, or spend down its reserve to ensure a balanced budget.

No prediction can be made by the Districts as to whether the State will encounter budgetary problems in this or in any future Fiscal Years, and if it were to do so, it is not clear what measures would be taken by the State to balance its budget, as required by law. In addition, the Districts cannot predict the final outcome of future State budget negotiations, the impact that such budgets will have on its finances and operations or what actions will be taken in the future by the State Legislature and Governor to deal with changing State revenues and expenditures. Current and future State budgets will be affected by national and State economic conditions and other factors, including the current economic downturn, over which the Districts have no control.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

Limitations on Revenues

Article XIIIA of the California Constitution. Article XIIIA of the State Constitution, adopted and known as Proposition 13, was approved by the voters in June 1978. Section 1(a) of Article XIIIA limits the maximum *ad valorem* tax on real property to one percent of "full cash value," and provides that such tax shall be collected by the counties and apportioned according to State law. Section 1(b) of Article XIIIA provides that the one-percent limitation does not apply to *ad valorem* taxes levied to pay interest and redemption charges on (1) indebtedness approved by the voters prior to July 1, 1978, or (2) bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978, by two-thirds of the votes cast on the proposition, or (3) bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% of the voters of the district, but only if certain accountability measures are included in the bond proposition.

Section 2 of Article XIIIA defines "full cash value" to mean the county assessor's valuation of real property as shown on the Fiscal Year 1975-76 tax bill, or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred. The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or to reflect a reduction in the consumer price index or comparable data for the area under taxing jurisdiction, or may be reduced in the event of declining property value caused by substantial damage, destruction or other factors. The Revenue and Taxation Code permits county assessors who have reduced the assessed valuation of a property as a result of natural disasters, economic downturns or other factors, to subsequently "recapture" such value (up to the pre-decline value of the property) at an annual rate higher than 2%, depending on the assessor's measure of the restored value of the damaged property. The California courts have upheld the constitutionality of this procedure. Legislation enacted by the State Legislature to implement Article XIIIA provides that, notwithstanding any other law, local agencies may not levy any *ad valorem* property tax except the 1% base tax levied by each County and taxes to pay debt service on indebtedness approved by the voters as described above.

Since its adoption, Article XIIIA has been amended a number of times. These amendments have created a number of exceptions to the requirement that property be reassessed when purchased, newly constructed or a change in ownership has occurred. These exceptions include certain transfers of real property between family members, certain purchases of replacement dwellings for persons over age 55 and by property owners whose original property has been destroyed in a declared disaster, and certain improvements to accommodate disabled persons and for seismic upgrades to property. These amendments have resulted in marginal reductions in the property tax revenues of the District.

Both the California State Supreme Court and the United States Supreme Court have upheld the validity of Article XIIIA.

Article XIIIC and Article XIIID of the California Constitution. On November 5, 1996, the voters of the State approved Proposition 218, the so-called "Right to Vote on Taxes Act." Proposition 218 added Articles XIIIC and XIIID to the State Constitution, which contain a number of provisions affecting the ability of local agencies, including school districts, to levy and collect both existing and future taxes, assessments, fees and charges. Among other things, Article XIIIC establishes that every tax is either a "general tax" (imposed for general governmental purposes) or a "special tax" (imposed for specific purposes); prohibits special purpose government agencies such as school districts from levying general taxes; and prohibits any local agency from imposing, extending or increasing any special tax beyond its maximum authorized rate without a two-thirds vote. Article XIIIC also provides that no tax may be assessed on property other than *ad valorem* property taxes imposed in accordance with Articles XIII and XIIIA of the California Constitution and special taxes approved by a two-thirds vote under Article XIIIA, Section 4.

Article XIIIC also provides that the initiative power shall not be limited in matters of reducing or repealing local taxes, assessments, fees and charges. The State Constitution and the laws of the State impose a duty on the county treasurer-tax collector to levy a property tax sufficient to pay debt service on school bonds coming due in each year. The initiative power cannot be used to reduce or repeal the authority and obligation to levy such taxes which are pledged as security for payment of general obligation bonds or to otherwise interfere with performance of the duty of the respective Districts and the County with respect to such taxes. Legislation adopted in 1997 provides that Article XIIIC shall not be construed to mean that any owner or Beneficial Owner of a municipal security assumes the risk of or consents to any initiative measure which would constitute an impairment of contractual rights under the contracts clause of the U.S. Constitution.

Article XIIID deals with assessments and property-related fees and charges. Article XIIID explicitly provides that nothing in Article XIIIC or XIIID shall be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development; however it is not clear whether the initiative power is therefore unavailable to repeal or reduce developer and mitigation fees imposed by the Districts.

The interpretation and application of Proposition 218 will ultimately be determined by the courts with respect to a number of the matters discussed above, and it is not possible at this time to predict with certainty the outcome of such determination.

Expenditures and Appropriations

Article XIIIB of the California Constitution. In addition to the limits Article XIIIA imposes on property taxes that may be collected by local governments, certain other revenues of the State and local governments are subject to an annual "appropriations limit" or "Gann Limit" imposed by Article XIIIB of the State Constitution, which effectively limits the amount of such revenues that government entities are permitted to spend. Article XIIIB, approved by the voters in June 1979, was modified substantially by Proposition 111 in 1990. The appropriations limit of each government entity applies to "proceeds of taxes," which consist of tax revenues, state subventions and certain other funds, including proceeds from regulatory licenses, user charges or other fees to the extent that such proceeds exceed "the cost reasonably borne by such entity in providing the regulation, product or service." "Proceeds of taxes" excludes tax refunds and some benefit payments such as unemployment insurance. No limit is imposed on the appropriation of funds which are not "proceeds of taxes," such as reasonable user charges or fees, and certain other non-tax funds.

Article XIIIB also does not limit appropriation of local revenues to pay debt service on bonds existing or authorized by January 1, 1979, or subsequently authorized by the voters, appropriations required to comply with mandates of courts or the federal government, appropriations for qualified capital outlay projects, and appropriation by the State of revenues derived from any increase in gasoline taxes and motor vehicle weight fees above January 1, 1990, levels. The appropriations limit may also be exceeded in cases of emergency; however, the appropriations limit for the three years following such emergency appropriation must be reduced to the extent by which it was exceeded, unless the emergency arises from civil disturbance or natural disaster declared by the Governor, and the expenditure is approved by two-thirds of the legislative body of the local government.

The State and each local government entity has its own appropriations limit. Each year, the limit is adjusted to allow for changes, if any, in the cost of living, the population of the jurisdiction, and any transfer to or from another government entity of financial responsibility for providing services. Each school district is required to establish an appropriations limit each year. In the event that a school district's revenues exceed its spending limit, the district may increase its appropriations limit to equal its spending by taking appropriations limit from the State.

Proposition 111 requires that each agency's actual appropriations be tested against its limit every two years. If the aggregate "proceeds of taxes" for the preceding two-year period exceeds the aggregate limit, the excess must be returned to the agency's taxpayers through tax rate or fee reductions over the following two years. If the State's aggregate "proceeds of taxes" for the preceding two-year period exceeds the aggregate limit, 50% of the excess is transferred to fund the State's contribution to school and college districts.

Future Initiatives. Articles XIIIA, XIIIB, XIIIC, and XIIID, and Propositions 98 and 111 were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time, other initiative measures could be adopted, further affecting the revenues of the Districts.

STATISTICAL AND FINANCIAL INFORMATION REGARDING THE DISTRICTS

In connection with the offering of the Note Participations, each of the Districts has provided the following information and the summary of financial information of the Districts provided under "SUMMARY OF DISTRICT FINANCIAL INFORMATION" herein.

Average Daily Attendance

The following sets forth the average daily attendance (second period) for the Fiscal Years ended June 30, 2009 through 2012 and projections for the Fiscal Year ending June 30, 2013 for each of the Districts:

AVERAGE DAILY ATTENDANCE
Second Principal Apportionment(1)
Fiscal Years 2008-09 through 2012-13

District	2008-09	2009-10	2010-11	2011-12	2012-13(2)
Cardiff School District(3)	709	712	734	735	731
Carlsbad Unified School District(3)	10,317	10,417	10,593	10,619	10,619
Encinitas Union School District(3)(4)	5,279	5,259	5,243	5,312	5,256
Fallbrook Union High School District	2,886	2,811	2,798	2,675	2,798
Grossmont Union High School District	18,467	19,035	18,378	17,659	17,186
La Mesa - Spring Valley School District	12,220	12,038	11,874	11,905	11,648
National School District	5,466	5,548	5,564	5,544	5,544
Ramona Unified School District	6,403	6,108	5,932	5,862	5,542
San Dieguito Union High School District(3)	12,368	12,150	11,964	12,019	11,909

Source: Data for Fiscal Years 2008-09 through 2011-12 are ADAs at P-2, as set forth in the supplemental information section of each respective District's audit report, and data for Fiscal Year 2012-13 are ADAs at P-2, as set forth in the second interim financial reports of each respective District, unless otherwise noted.
(1) Excludes adults enrolled in adult education programs.
(2) Projected.
(3) Basic Aid District. See "STATE AND FEDERAL FUNDING OF EDUCATION - Major Revenues" herein.
(4) Fiscal Year 2011-12 and 2012-13 ADA provided by the District.

Base Revenue Limit

The following table sets forth the actual base revenue limit per ADA for Fiscal Year 2011-12 and the budgeted base revenue limit per ADA for Fiscal Year 2012-13 for each of the Districts:

BASE REVENUE LIMIT PER ADA
Fiscal Years 2011-12 and 2012-13[1]

District	2011-12 (Actual)[1]	2012-13 (Budgeted)[2]
Cardiff School District[3]	$6,210.87	$6,398.54
Carlsbad Unified School District[3]	6,492.88	6,705.16
Encinitas Union School District[3]	6,246.81	6,449.69
Fallbrook Union High School District	7,508.68	7,751.96
Grossmont Union High School District	7,525.34	7,769.06
La Mesa - Spring Valley School District	6,228.40	6,422.05
National School District	6,215.48	6,417.48
Ramona Unified School District	6,522.52	6,708.41
San Dieguito Union High School District[3]	7,462.65	7,705.93

Source: Second interim financial reports of each respective District.
(1) Amounts are prior to application of the deficit factor, which was 79.398% for Fiscal Year 2011-12, and other adjustments pursuant to the Fiscal Year 2011-12 State Budget Act.
(2) Amounts listed are budgeted and thus do not reflect actual financial results or the outcome of State budget negotiations and revisions. Further, amounts are prior to the application of the deficit factor, which is 77.728% for Fiscal Year 2012-13, and other adjustments pursuant to the Fiscal Year 2012-13 State Budget Act and SB 81 (defined herein).
(3) Basic Aid District. See "STATE AND FEDERAL FUNDING OF EDUCATION - Major Revenues" herein.

Employees

The following table sets forth the number of full-time equivalent certificated and classified employees and management/other employees for each of the Districts as of July 1, 2012:

FULL-TIME EQUIVALENT EMPLOYEES
(As of July 1, 2012)

District	Certificated Employees	Classified Employees	Management/ Other Employees
Cardiff School District	41.2	31.9	4.0
Carlsbad Unified School District	455.2	279.3	39.5
Encinitas Union School District	265.4	115.5	27.8
Fallbrook Union High School District	126.2	107.2	16.0
Grossmont Union High School District	881.4	633.6	100.8
La Mesa - Spring Valley School District	539.8	353.0	45.0
National School District[1]	335.8	133.4	37.4
Ramona Unified School District	250.4	224.0	24.0
San Dieguito Union High School District[1]	552.0	346.3	56.2

Source: The Districts, respectively.
(1) Management employees included in the Certificated and Classified employee counts.

The following table sets forth the collective bargaining unit representing employees of each of the Districts and the expiration date of the collective bargaining agreement under which the respective District and such collective bargaining unit are currently operating:

COLLECTIVE BARGAINING AGREEMENTS

Collective Bargaining Units	Agreement Expiration Date
Cardiff School District	
1. Cardiff Elementary Teachers Association	June 30, 2014
Carlsbad Unified School District	
1. Federation of Unified School Employees/Laborers' International Union of North America Local 777[1]	June 30, 2013
2. Carlsbad Unified Teachers Association/California Teachers	June 30, 2013
Encinitas Union School District	
1. Teachers of Encinitas	June 30, 2013
2. Classified of Encinitas	June 30, 2013
Fallbrook Union High School District	
1. Fallbrook Union High School Teachers Association	June 30, 2014
2. Service Employees International Union, Local 2028	June 30, 2014
Grossmont Union High School District	
1. California School Employees Association, Chapter 443	June 30, 2015
2. Service Employees International Union, Local 22	June 30, 2015
3. Grossmont Education Association[1]	June 30, 2011
La Mesa - Spring Valley School District	
1. La Mesa - Spring Valley Teachers Association	June 30, 2014
2. California School Employee Association, Chapter 419[1]	June 30, 2013
National School District	
1. National Elementary Teachers Association[1]	June 30, 2013
2. California School Employees Association[1]	June 30, 2012
Ramona Unified School District	
1. Ramona Teachers Association	June 30, 2013
2. Classified School Employees Association[1]	June 30, 2015
San Dieguito Union High School District	
1. San Dieguito Faculty Association	June 30, 2015
2. California School Employees Association[1]	June 30, 2012

(1) This District is in the process of negotiating extensions of its existing agreements or terms of a new agreement. Terms of the expired or expiring agreement continue to apply until a new agreement is finalized.

Depending on the outcome of negotiations relating to new and existing labor agreements referenced in the footnotes above, as applicable, certain of the Districts may be required to pay increased amounts in compensation to their respective employees. Other than such Districts, none of the Districts has any employee collective bargaining arrangements currently under negotiation; and none of the Districts or their respective staffs are aware of any labor disputes which may materially adversely affect the finances or operations of the District.

Outstanding Obligations

The following table sets forth the long-term outstanding obligations of each District as of June 30, 2012.

LONG-TERM OUTSTANDING OBLIGATIONS[1]
(As of June 30, 2012)

District	General Obligation Bonds	Lease Obligations	Net OPEB Obligations	Compensated Absences
Cardiff School District	$ 10,740,324	$ 0	$ 28,928	$ 19,551
Carlsbad Unified School District	200,269,281	54,537,082	8,270,305	297,161
Encinitas Union School District[2]	25,534,256	0	1,283,034	211,556
Fallbrook Union High School District[3]	12,430,071	6,127	4,217,275	120,755
Grossmont Union High School District	439,531,711	285,029	12,439,391	2,787,266
La Mesa - Spring Valley School District[4]	37,354,708	82,097	7,317,633	852,350
National School District	0	443,553	3,016,846	815,393
Ramona Unified School District	0	22,728,360	0	739,739
San Dieguito Union High School District[5]	0	15,515,000	5,556,131	1,200,487

Source: Audited financial statements for each respective District and the Districts, respectively.

(1) Excludes bond and certificates of participation premium, other long-term liabilities and obligations of assessment districts, special districts, community facilities districts and community service districts and special tax bonds. Lease obligations include capital leases and lease revenue bonds.

(2) Subsequent to June 30, 2012, the District issued tax-exempt general obligation bonds in the aggregate principal amount of $9,998,410.90, all of which were capital appreciation bonds.

(3) Excludes $90,000 in other long-term debt accrued in connection with an early retirement incentive.

(4) Excludes $1,894,660 in other long-term debt accrued in connection with an early retirement incentive. Subsequent to June 30, 2012, the District approved a master lease agreement in the approximate aggregate principal amount of $1.5 million to finance the replacement of certain buses.

(5) Excludes $2,700,000 principal amount State loan. Subsequent to June 30, 2012, the District issued taxable general obligation bonds in the aggregate principal amount of $2,320,000 and tax-exempt general obligation bonds in the aggregate principal amount of $157,680,000.

Property-Related Information

Assessed Valuation and Appeals. The assessed valuation of property in each District is established by the County Assessor, except for public utility property which is assessed by the State Board of Equalization. Assessed valuations are reported at 100% of the full cash value of the property, as defined in Article XIIIA of the California Constitution.

Total assessed valuation of property in each District for the past five Fiscal Years is set forth below.

ASSESSED VALUE OF TAXABLE PROPERTY[1]
Fiscal Years 2008-09 through 2012-13
($ in thousands)

District	2008-09	2009-10	2010-11	2011-12	2012-13
Cardiff School District	$ 2,042,249	$ 2,066,510	$ 2,069,701	$ 2,097,525	$ 2,204,173
Carlsbad Unified School District	16,191,216	16,066,036	15,942,061	15,777,488	15,684,310
Encinitas Union School District	13,473,200	13,444,454	13,423,583	13,693,380	13,847,777
Fallbrook Union High School District	8,314,140	8,153,886	7,974,411	7,952,771	7,400,727
Grossmont Union High School District	38,260,334	36,226,604	35,724,830	35,927,641	36,040,846
La Mesa - Spring Valley School District	10,765,161	10,150,189	10,021,008	1,074,094	1,068,966
National School District	2,777,544	2,627,190	2,593,237	2,592,732	10,159,711
Ramona Unified School District	3,933,660	3,669,677	3,602,313	3,608,220	3,566,239
San Dieguito Union High School District	47,017,777	47,622,252	47,112,546	47,530,328	47,578,669

Source: San Diego County Office of Education.
(1) Includes secured, utility and homeowner's exemption.

Property Tax Collections. The table below sets forth the tax levies, collections and percent of collections and levies for property taxes in each District for the last five Fiscal Years.

PROPERTY TAX COLLECTIONS
Fiscal Years 2008-09 through 2012-13

District; Fiscal Year	Total Tax Amount(1)	Total Tax Amount Collected	Delinquent Tax Amount(2)	Delinquent Tax Amount as Percentage of Total Tax Amount
Cardiff School District				
Fiscal Year 2012-13	$ 5,932,485.26	$ 5,764,098.19	$ 168,387.07	2.8%
Fiscal Year 2011-12	5,624,007.95	5,539,021.24	84,986.71	1.5
Fiscal Year 2010-11	5,544,467.01	5,474,474.32	69,992.69	1.3
Fiscal Year 2009-10	5,523,541.95	5,462,863.98	60,677.97	1.1
Fiscal Year 2008-09	5,456,271.29	5,426,996.04	29,275.25	0.5
Carlsbad Unified School District				
Fiscal Year 2012-13	$ 60,995,572.20	$ 59,288,278.94	$ 1,707,293.26	2.8%
Fiscal Year 2011-12	61,050,011.75	60,139,268.97	910,742.78	1.5
Fiscal Year 2010-11	61,500,004.48	60,733,021.60	766,982.88	1.2
Fiscal Year 2009-10	62,048,999.92	61,375,291.01	673,708.91	1.1
Fiscal Year 2008-09	64,677,505.44	64,211,622.17	465,883.27	0.7
Encinitas Union School District				
Fiscal Year 2012-13	$ 35,092,431.77	$ 34,096,873.49	$ 995,558.28	2.8%
Fiscal Year 2011-12	34,583,608.37	34,060,956.75	522,651.62	1.5
Fiscal Year 2010-11	33,884,596.90	33,456,838.77	427,758.13	1.3
Fiscal Year 2009-10	33,895,288.14	33,522,879.93	372,408.21	1.1
Fiscal Year 2008-09	33,961,935.98	33,779,683.28	182,252.70	0.5
Fallbrook Union High School District				
Fiscal Year 2012-13	$ 12,376,919.09	$ 12,144,580.51	$ 232,338.58	1.9%
Fiscal Year 2011-12	13,078,528.17	12,942,856.72	135,671.45	1.0
Fiscal Year 2010-11	13,041,222.67	12,926,934.96	114,287.71	0.9
Fiscal Year 2009-10	12,988,036.54	12,888,616.54	99,420.00	0.8
Fiscal Year 2008-09	13,009,747.95	12,962,363.01	47,384.94	0.4
Grossmont Union High School District				
Fiscal Year 2012-13	$ 80,529,491.58	$ 78,262,118.80	$ 2,267,372.78	2.8%
Fiscal Year 2011-12	80,330,647.65	79,125,443.56	1,205,204.09	1.5
Fiscal Year 2010-11	79,806,289.83	78,805,860.77	1,000,429.06	1.3
Fiscal Year 2009-10	80,929,986.35	79,929,286.48	1,000,699.87	1.2
Fiscal Year 2008-09	85,624,331.55	85,033,517.07	590,814.48	0.7
La Mesa - Spring Valley School District				
Fiscal Year 2012-13	$ 23,584,940.48	$ 22,920,509.10	$ 664,431.38	2.8%
Fiscal Year 2011-12	23,400,177.99	23,048,959.01	351,218.98	1.5
Fiscal Year 2010-11	23,222,904.73	22,931,669.20	291,235.53	1.3
Fiscal Year 2009-10	23,545,781.15	23,288,699.70	257,081.45	1.1
Fiscal Year 2008-09	24,926,910.53	24,793,853.44	133,057.09	0.5

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District; Fiscal Year	Total Tax Amount[(1)]	Total Tax Amount Collected	Delinquent Tax Amount[(2)]	Delinquent Tax Amount as Percentage of Total Tax Amount
National School District				
Fiscal Year 2012-13	$ 4,837,239.15	$ 4,702,398.87	$ 134,840.28	2.8%
Fiscal Year 2011-12	4,640,368.27	4,571,523.68	68,844.59	1.5
Fiscal Year 2010-11	4,627,050.29	4,459,296.85	167,753.44	3.6
Fiscal Year 2009-10	4,550,043.20	4,500,975.21	49,067.99	1.1
Fiscal Year 2008-09	4,654,255.14	4,629,700.09	24,555.05	0.5
Ramona Unified School District				
Fiscal Year 2012-13	$ 17,431,077.20	$ 16,939,730.99	$ 491,346.21	2.8%
Fiscal Year 2011-12	17,597,876.96	17,333,497.70	264,379.26	1.5
Fiscal Year 2010-11	17,508,348.54	16,552,238.66	956,109.88	5.5
Fiscal Year 2009-10	17,803,429.02	17,608,850.20	194,578.82	1.1
Fiscal Year 2008-09	19,010,946.98	18,909,365.23	101,581.75	0.5
San Dieguito Union High School District				
Fiscal Year 2012-13	$ 81,125,109.60	$ 78,820,919.96	$ 2,304,189.64	2.8%
Fiscal Year 2011-12	80,868,046.46	79,644,284.06	1,223,762.40	1.5
Fiscal Year 2010-11	80,119,083.15	79,105,196.45	1,013,886.70	1.3
Fiscal Year 2009-10	81,004,699.18	80,113,330.55	891,368.63	1.1
Fiscal Year 2008-09	80,039,779.33	79,609,649.14	430,130.19	0.5

Source: San Diego County Office of Education.

(1) Total Tax Amount includes local secured and unsecured state unitary 1% tax, debt service tax and special assessments.

(2) For informational purposes only. The County implemented the alternative method of apportionment commonly referred as the Teeter Plan in Fiscal Year 1993-94, pursuant to which the County advances to various taxing entities cash in an amount equal to the current year's delinquent property taxes and receives, in exchange, all penalty and interest revenues on such delinquent amounts. Delinquent Tax Amount represents the dollar value of tax due for delinquencies in the year shown that had not been collected as of June 30 of that year.

Largest Taxpayers. The following table sets forth the principal secured taxpayers in each District based on such District's 2012-13 assessed value.

PRINCIPAL SECURED TAXPAYERS
Fiscal Year 2012-13

Taxpayer	Nature of Business	2012-13 Assessed Value	Percentage of Total Assessed Value
Cardiff School District			
1. Belmont Village Tenant LLC	Assisted Living Facilities	$106,572,134	4.84%
2. Collwood Pines Apartments LP	Apartments	54,963,312	2.49
3. K&K Lumber Co.	Shopping Center	24,935,289	1.13
4. Cardiff Town Center LLC	Shopping Center	10,745,040	0.49
5. U.S. Bank National Association	Bank	3,103,594	0.14
Carlsbad Unified School District			
1. Aviara Resort Associates SPE LLC	Hotel & Resort	$150,408,827	0.96%
2. Cabrillo Power I, LLC	Electric Utility	147,600,000	0.94
3. LC Investment 2010 Inc.	Hotel & Resort	135,612,135	0.86
4. Legoland California LLC	Theme Park	125,802,730	0.80
5. O C/S D Holdings LLC	Apartments	121,088,079	0.77
Encinitas Union School District			
1. T-C Forum at Carlsbad LLC	Shopping Center	$274,517,071	1.98%
2. Continue Life Communities LLC	Assisted Living Facilities	234,163,899	1.69
3. TRC Encinitas Village LLC	Shopping Center	139,309,192	1.01
4. SSL Landlord LLC	Assisted Living Facilities	87,154,305	0.63
5. Scripps Health	Healthcare	86,936,346	0.63
Fallbrook Union High School District			
1. Orange Grove Energy LP	Electric Utility	$ 73,200,000	0.99%
2. De Luz Housing LLC	Housing	53,384,180	0.72
3. City of Riverside	Government	51,581,418	0.70
4. Spa Heavens LP	Hotel & Resort	29,601,593	0.40
5. National Quarries Enterprises LLC	Manufacturer	24,670,001	0.33
Grossmont Union High School District			
1. Essex JMS Acquisition LP	Apartments	$218,963,336	0.61%
2. Parkway Plaza LP	Shopping Center	206,240,293	0.57
3. Avalon II California Value IV	Apartments	194,621,673	0.54
4. Grossmont Hospital Corp	Hospital	163,924,233	0.45
5. San Diego Family Housing LLC	Apartments	143,403,840	0.40
La Mesa - Spring Valley School District			
1. Essex JMS Acquisition LP	Apartments	$185,971,105	1.83%
2. Grossmont Hospital Corp	Hospital	163,924,233	1.61
3. Fairfield Grossmont Trolley LLC	Apartments	120,736,894	1.19
4. Rainbow Investment Co.	Shopping Center	94,160,142	0.93
5. Baltimore Owner LLC	Apartments	54,660,924	0.54

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Taxpayer	Nature of Business	2012-13 Assessed Value	Percentage of Total Assessed Value
National School District			
1. Pasha Automotice Services	Automotive	$210,437,832	7.73%
2. PVHR LLC	Health Care	58,630,445	2.15
3. Wal-Mart Real Estate Business	Retailer	34,076,949	1.25
4. Costco Wholesale Corporation	Retailer	33,405,585	1.23
5. MPT of Paradise Valley	Real Estate	30,005,211	1.10
Ramona Unified School District			
1. Cox Com Inc.	Communiciations	$ 28,718,135	0.81%
2. Prebys Conrad Trust 12-17-82	Apartments	22,249,834	0.62
3. Ramona Terrace Community LLC	Mobile Home Park	16,457,274	0.46
4. Troy CMBS Property LLC	Shopping Center	7,852,072	0.22
5. Stater Bros Markets	Supermarket	7,798,606	0.22
San Dieguito Union High School District			
1. Kilroy Realty LP	Office Building	$374,362,715	0.79%
2. T-C Forum at Carlsbad LLC	Shopping Center	274,517,071	0.58
3. Irvine Co LLC	Apartments	267,148,852	0.56
4. Continuing Life Communities LLC	Assisted Living Facilities	252,891,417	0.53
5. SBTC Holdings LLC	Shopping Center	241,808,826	0.51

Source: San Diego County Office of Education unless otherwise noted.

Financial Statements

The Districts' financial statements are prepared on a modified accrual basis of accounting in accordance with generally accepted accounting principles as set forth by the National Council on Governmental Accounting.

Funds and Accounting Groups used by the Districts are categorized as follows:

Government Funds	Fiduciary Funds
General Funds	Trust and Agency Funds
Special Revenue Funds	
Debt Service Funds	
Proprietary Funds	Accounting Groups
Internal Service Funds	General Long-Term Debt Amount
Enterprise Funds	

The General Fund of each District, as shown in Appendices B and C, is a combined fund comprised of moneys which are unrestricted and available to finance the legally authorized activities of each District not otherwise financed by restricted funds and moneys which are restricted to specific types of programs or purposes. General Fund revenues shown therein are derived from such sources as taxes, aid from other government agencies, charges for current services and other revenue.

The summaries of the financial statements included herein were prepared by the Districts using information from the Annual Financial Reports which are prepared by the directors of accounting for the Districts and audited by independent certified public accountants each year. Certain information, such as the General Fund Cash Flow Analyses and projected Fiscal Year 2013-14 budgets, was developed by each District's staff for use in this Official Statement. The projected budgets and estimates and timing of receipts and disbursements in such Cash Flow Analyses are based on certain assumptions and should not be construed as statements of fact. The Districts' audited financial statements for the fiscal year ended June 30, 2012 are available from each District upon request to the respective District, and are summarized in this Appendix B under "Summary of Financial Information".

The summary general fund statements included in this Appendix B for the Districts do not purport to be complete and present only extracts from each respective District's financial statements.

Budgets of Districts

The Fiscal Year for all California school districts begins on the first day of July of each year and ends on the 30th day of June of the following year. On or before July 1 of each year, the governing board of each school district, including the Districts, is required to file an adopted budget with the County Superintendent of Schools. On or before August 15 of each year, the County Superintendent of Schools is required to examine and approve, conditionally approve or disapprove the adopted budget for each school district. If an adopted budget is disapproved, then on or before September 8 of such year, such school district and the County Superintendent of Schools must make certain revisions to the budget, adopt the revised budget, and file the revised budget with the County Superintendent of Schools.

If the revised budget of a school district is disapproved, the County Superintendent of Schools is empowered by law to oversee the management of such school district for that Fiscal Year, with the authority to monitor and review the operation of such district, to develop and adopt a fiscal plan and budget for such district, and to stay and rescind actions that are inconsistent with that budget.

The County school service fund (the "Service Fund") of the County Office of Education is employed by the County Superintendent of Schools to pay such charges against the Service Fund as are permitted by the California Education Code, including expenses of the County Superintendent of Schools and the County Board of Education. The County Superintendent of Schools must submit to the State Superintendent of Public Instruction (1) a tentative budget, on or before June 30 of each year, and (2) a final budget, on or before September 8 of each year (collectively, the "Service Fund Budget"), which outlines anticipated revenues to and expenditures from the Service Fund for the succeeding Fiscal Year, including the anticipated revenues and expenditures of the County Office of Education of the County Superintendent of Schools. The Service Fund Budget is subject to review and approval by the County Board of Education. The County Board of Education must hold a public hearing on the proposed Service Fund Budget and, following such public hearing, the final Service Fund Budget must be adopted by the Board of Education before being filed with the Superintendent of Public Instruction. The final Service Fund Budget is subject to review and approval by the Superintendent of Public Instruction.

The California State Department of Education imposes a uniform budgeting format for each school district in the State. The Districts are required by provisions of the California Education Code to maintain a balanced budget each year, where the sum of expenditures plus the ending fund balance cannot exceed the revenues plus the carry-over fund balance from the previous year. See " - Recent State Budgets - Potential Impact of the 2013-14 Proposed State Budget and May Revision to the 2013-14 Proposed State Budget on the Districts" herein.

Fiscal Status Reports and Interim Certifications

The Education Code of the State of California (Section 42133 et seq.) requires each school district to report and certify two times during the Fiscal Year whether it is able to meet its financial obligations for the remainder of such Fiscal Year and, based on current forecasts, for the subsequent two Fiscal Years. The first report covers the period ending October 31 and the second report covers the period ending January 31. Such certifications are based on the governing board's assessment based on standards and criteria for fiscal stability adopted by the State Board of Education and the State Superintendent of Public Instruction. Each certification is required to be classified as positive, qualified, or negative on the basis of a review of the respective report against such criteria, but may include additional financial information known by the governing board to exist at the time of each certification. Such certifications are to be filed with the County Superintendent of Schools within 45 days after the close of the period being reported and, in the event of a negative or qualified certification, to the State Controller and the State Superintendent of Public Instruction. The County Superintendent of Schools must review each report and must approve or revise the certification if necessary. A negative certification is to be assigned to any school district that likely will be unable to meet its financial obligations for the remainder of the Fiscal Year or for which existing expenditure practices jeopardize the ability of the district to meet its multi-year financial commitments. A qualified certification is to be assigned to any school district that may not meet its obligations for the current Fiscal Year or two subsequent Fiscal Years. Any school district that has a qualified or negative certification in any Fiscal Year may not issue, in that Fiscal Year or in the next fiscal succeeding year, certificates of participation, tax anticipation notes, revenue bonds or any other debt instruments that do not require the approval of the voters of the district, unless the County Superintendent of Schools determines that the district's repayment of indebtedness is probable.

Alpine Union School District, Carlsbad Unified School District, Ramona Unified School District filed a qualified certification in connection with their respective Fiscal Year 2012-13 first interim financial report. In addition, Alpine Union School District, Carlsbad Unified School District and Ramona Unified School District each filed a qualified certification in connection with its respective Fiscal Year 2012-13 second interim financial report. However, each such District expects to be able to meet its debt obligations in the current and next succeeding two fiscal years based upon budget revisions to be made in connection with future submissions of its financial reports. Except for the aforementioned Districts, each of the Districts have filed positive certifications with the County Superintendent of Schools for each Fiscal Year 2012-13 reporting period for which a certificate has been filed and the County Superintendent of Schools has not made any qualified or negative determination with respect to any such certifications.

Copies of the reports and certifications of each of the Districts may be obtained upon request from the San Diego County Office of Education, Executive Director, District Financial Services, 6401 Linda Vista Road, San Diego, California 92111, telephone: 858-292-3537.

Insurance

Each District maintains insurance or self-insurance in such amounts and with such retentions and other terms providing coverage for property damage, fire and theft, general public liability and worker's compensation with respect to its respective facilities, personnel and operations, as are adequate, customary and comparable with such insurance maintained by similarly situated school districts. In addition, based upon prior claims experience, each District believes that the recorded liabilities for its self-insured claims are adequate.

Retirement

Each of the Districts participates in retirement plans with the California State Teachers' Retirement System ("CalSTRS"), which covers all full-time certificated District employees, and the California Public Employees' Retirement System ("CalPERS"), which covers certain classified employees. Classified school personnel who are employed four or more hours per day may participate in CalPERS.

CalSTRS. Historically, the Districts' contributions to CalSTRS have been made based on a fixed percentage of the payroll of covered employees. The State has paid all amounts owing to CalSTRS in any year that is in addition to the fixed contribution rate. As such, the Districts have not historically been responsible for any unfunded liability, and the Districts' contribution rate has not fluctuated from year to year. Active CalSTRS plan members are required to contribute 8% of creditable compensation, and the Districts are required to contribute at an actuarially determined rate, which was 8.25% of creditable compensation for Fiscal Year 2012-13. The Districts have not received notice from CalSTRS of any change to the rates currently in effect or of any proposed changes in State law with respect to contribution rates. The actuarial methods and assumptions used for determining the contribution rates are those adopted by the CalSTRS retirement board. The contribution requirements of the plan members are established by State statute.

The unfunded actuarial accrued liabilities and funded status of the CalSTRS pension fund as of June 30 of Fiscal Years June 30, 2008 through June 30, 2012 are set forth in the following table. The individual funding progress for the Districts are not provided in the actuarial report from CalSTRS.

Actuarial Value of California State Teachers' Retirement Fund Defined Benefit Program
Valuation Dates June 30, 2008 through June 30, 2012
($ in billions)

Valuation Date (June 30)	Accrued Liability	Actuarial Value of Assets[1]	Unfunded Liability	Funded Ratio (Actuarial Value)	Funded Ratio (Fair Market Value)
2008	$177.734	$155.215	$22.519	87.0%	85.0%
2009	185.683	145.142	40.541	78.0	58.0
2010	196.315	140.291	56.024	71.5	59.7
2011	208.405	143.930	64.475	69.1	67.2
2012	215.189	144.232	70.957	67.0	62.7

(1) Actuarial Value of Assets does are not include amounts allocable to the CalSTRS Supplemental Benefits Maintenance Account.

Sources: California State Teachers' Retirement System Defined Benefit Program Actuarial Valuations as of June 30, 2006 through June 30, 2012.

The actuarial assumptions set forth in the California State Teachers' Retirement System Defined Benefit Program Actuarial Valuation as of June 30, 2012 (the "2012 CalSTRS Actuarial Valuation") use the "Entry Age Normal Cost Method" and, among other things, an assumed 7.50% investment rate of return, 4.50% interest on accounts, projected 3.00% inflation rate and demographic assumptions relating to mortality rates, length of service, rates of disability, rates of withdrawal, probability of refund, and merit salary increases. The actuarial assumptions and methods used in the 2012 CalSTRS Actuarial Valuation were based on the Experience Analysis July 1, 2006 – June 30, 2010 adopted by the Teacher's Retirement Board in February 2012 (the "CalSTRS Experience Analysis"). The amounts of CalSTRS' unfunded liability will vary from time to time depending upon actuarial assumptions, and actual rates of return on investment, salary scales and levels of contribution.

The CalSTRS Experience Analysis projects that bringing CalSTRS to full funding would require a payroll contribution of 16.23% of projected expenditures. However, the 2011 CalSTRS Actuarial Valuation projected that full funding would require an increase in employer rates to 13% of projected expenditures. The 2011 CalSTRS Actuarial Valuation projects that, absent any changes in contribution rates or liabilities, the fund will deplete its assets in approximately 30 years. Benefit provisions are established by State legislation in accordance with the State Teachers' Retirement Law. Employees and the Districts contribute 8.00% and 8.25%, respectively, of gross salary expenditures to CalSTRS. The Districts have not received any notice from CalSTRS of any plans CalSTRS has to change the rates currently in effect or of any proposed changes in the State law with respect to the contribution rates.

The market value of the CalSTRS pension fund as of June 30, 2011 and June 30, 2012 was $147.1 billion and $143.1 billion, respectively. CalSTRS produces a comprehensive annual financial report which includes financial statements and required supplementary information. Copies of the CalSTRS' comprehensive annual financial report may be obtained from CalSTRS, P.O. Box 15275, Sacramento, California 95851. The information presented in these reports is not incorporated by reference in this Official Statement.

In February 2012, the CalSTRS staff members presented a draft report (the "2013 CalSTRS Funding Report") to the Teachers' Retirement Board with respect to the unfunded liability of CalSTRS defined benefit program (the "Defined Benefit Program"). The 2013 CalSTRS Funding Report indicated that the liabilities of the Defined Benefit Program exceed its assets by approximately $64 billion as of June 30, 2011. In addition, the 2013 CalSTRS Funding Report projected that, absent corrective action, based on current economic and demographic assumptions, the Defined Benefit Program would deplete its assets by 2046. Due to the adoption of the PEPRA (defined herein), the 2013 CalSTRS Funding Report acknowledges that there would be a slight improvement in the funded status of the Defined Benefit Program. However, the 2013 CalSTRS Funding Report cautions that PEPRA may only delay the depletion of assets until 2047. See " California Public Employees' Pension Reform Act of 2012" herein. The 2013 CalSTRS Funding Report notes that the State, as the sponsor of the Defined Benefit Program, has a legal obligation to ensure that benefits continue to be paid notwithstanding the depletion of assets.

In order to improve the funded status of the Defined Benefit Program, the 2013 CalSTRS Funding Report proposes that the State Legislature increase investment returns by increasing the risk of the investment portfolio reduce benefits offered to plan members, and increasing contributions. In addition, the 2013 CalSTRS Funding Report states that the State Legislature must decide the financial objective that the State Legislature and Governor wish to achieve with respect to the Defined Benefit Program and consider having sufficient funds on hand to generate assets to pay liabilities, establish a funding target, increase contributions to avoid full depletion of assets, increase contributions to delay the full depletion of assets. Further, the 2013 CalSTRS Funding Report recommends the State Legislature determined the period of time in which the expect to achieve the funding objective, determine when contribution rate increases begin, establish the speed of contribution rate increases.

In addition, beginning in fiscal year 2013-14, CalSTRS will implement Governmental Accounting Standards Board ("GASB") Statement No. 67, Financial Reporting for Pension Plans ("GASB 67"), which applies to the financial reports of most pension plans such as the those of CalSTRS. The corresponding statement, GASB Statement No. 68, Accounting and Financial Reporting for Pensions ("GASB 68"), applies to governmental entities such as the Districts and is effective beginning in fiscal year 2014-15. CalSTRS has stated that GASB 67 and GASB 68 will replace the current unfunded liability with a new, substantially larger net pension obligation, which is calculated differently from the unfunded liability and the net pension obligation might be allocated to school districts based on their estimated portion of contributions and/or the State of California, and either or both would be required to report the obligation as a liability in their financial statements. CalSTRS also stated that this liability might overshadow all other liabilities on school district balance sheets and could result in a negative fund balance.

CalPERS. All qualifying classified employees of K through 12 school districts and community college districts in the State are members in CalPERS, and all of such districts participate in the same plan. As such, all such districts share the same contribution rate in each year. However, unlike school districts' participation in CalSTRS, the school districts' contributions to CalPERS fluctuate each year and include a normal cost component and a component equal to an amortized amount of the unfunded liability.

Benefit provisions are established by State legislation in accordance with the Public Employees' Retirement Law. The Districts' respective contributions to CalPERS are capped at 13.02% of gross salary expenditures. If a District's contribution rate to CalPERS is less than 13.02% of gross salary expenditures for a given year, the State will reduce such District's revenue limit for that year by the amount of the difference between such District's contribution calculated based on a contribution rate of 13.02% of gross salary expenditures and the District's actual contribution. Moreover, if the required contribution rate is greater than 13.02% for a given year, then the State will provide revenue limit allocations to such District for that year by the amount of the difference between the District's actual contribution to CalPERS and the District's contribution calculated based on a contribution rate of 13.02% of gross salary expenditures. The Districts are unable to predict what the amount of State pension liabilities will be in the future, or the amount of the contributions which the Districts may be required to make to CalPERS. Accordingly, there can be no assurances that the District's required contributions to CalPERS will not significantly increase in the future above current levels.

Active plan members are required to contribute 7% (miscellaneous) or 9% (safety) of their monthly salary and each District is required to contribute based on an actuarially determined rate. The actuarial methods and assumptions used for determining the rates are based on those adopted by Board of Administration of CalPERS. The required employer contribution rates for the Fiscal Year 2012-13 are 11.417% for miscellaneous members and 33.233% for safety members.

CalPERS is operated on a Statewide basis and, based on publicly available information, has unfunded liabilities. The amounts of the pension/award benefit obligation or unfunded actuarially accrued liability will vary from time to time depending upon actuarial assumptions, and actual rates of return on investments, salary scales, and levels of contribution.

Unlike typical defined benefit programs such as those administered by CalPERS, neither the CalPERS employer nor the State contribution rate varies annually to make up funding shortfalls or assess credits for actuarial surpluses. The State does pay a surcharge when the teacher and school district contributions are not sufficient to fully fund the basic defined benefit pension (generally consisting of 2% of salary for each year of service at age 60 referred to as "pre-enhancement benefits") within a 30-year period. However, this surcharge does not apply to the system-wide unfunded liability resulting from recent benefit enhancements. As indicated above, there is presently no required contribution from teachers, school districts or the State to fund this unfunded liability. Historically, the school district employer contribution rate has remained at 8.25%. However, the Districts are unable to predict what the amount of liabilities will be in the future or the amount of contributions which the Districts may be required to make.

The unfunded actuarial accrued liabilities and funded status of CalPERS as of June 30 of Fiscal Years June 30, 2007 through June 30, 2011 are set forth in the following table.

Actuarial Value of Schools Portion of CalPERS
Historical Funding Status
Valuation Dates June 30, 2007 through June 30, 2011
($ in millions)

Valuation Date (June 30)	Actuarial Accrued Liabilities	Market Value of Assets (MVA)	Funded Status (MVA)	Unfunded Liabilities/ (Surplus) (MVA)	Projected Payroll for Contribution	Unfunded/ (Surplus) as a % of Payroll
2007	44,810.07	48,292.93	107.8	(3,482.86)	10,249.83	(34.00)
2008	48,537.68	45,547.90	93.8	2,989.78	11,137.70	26.80
2009	52,493.08	34,146.45	65.0	18,346.63	11,109.76	165.10
2010	55,306.96	38,435.17	69.5	16,871.79	11,283.40	149.50
2011	58,358.41	45,900.99	78.7	12,457.42	10,540.43	118.2

Sources: CalPERS State & Schools Actuarial Valuations as of June 30, 2007 through June 30, 2011.

In December 2009, the CalPERS Board of Administration adopted changes to the asset smoothing method in order to phase in over a three year period the impact of the negative 24% investment loss experienced by CalPERS in Fiscal Year 2008-09. Under the new methodology, which is not mandatory for employers, investment gains and losses will be tracked and the net unamortized gain or loss will be amortized and paid off over a fixed and declining 30-year period instead of the current, rolling 30-year amortization period, with the exception of gains and losses in Fiscal Years 2008-09, 2009-10, and 2010-11. For Fiscal Years 2008-09, 2009-10, and 2010-11, such fiscal year's gains or losses will be isolated and amortized over fixed and declining 30-year periods. In addition, CalPERS has adopted a policy such that if a plan's accrued liability exceeds the actuarial value of assets, the annual contribution with respect to the total unfunded liability of such plan may not be less than the amount produced by a 30-year amortization of the unfunded liability. Further, all CalPERS plans will be subject to a minimum employer contribution rate equal to the employer normal cost plus a 30-year amortization of surplus, if any.

The actuarial funding method used in the CalPERS State & Schools Actuarial Valuation as of June 30, 2011 is the "Individual Entry Age Normal Cost Method". The CalPERS State & Schools Actuarial Valuation as of June 30, 2011 assumes, among other things, a 7.50% investment rate of return (net of administrative expenses), projected 2.75% inflation and projected 2.00% or 3.00% post-retirement benefit increases, and projected payroll growth of 3.00%. In March 2012, the CalPERS Board of Administration voted to reduce the actuarial assumed rate of return/discount rate to 7.50% from 7.75%. In connection therewith, State and schools employer contributions will increase by 1.2% to 1.6% for Miscellaneous plans and will increase by 2.2% to 2.4% for Safety plans beginning Fiscal Year 2012-13. CalPERS estimates that these modifications will increase expenditures by participating school districts. The Districts are evaluating the impact of the aforementioned rate increase upon its finances. The Districts have paid all required contributions in prior fiscal years and expects to continue to do so.

The market value of the CalPERS pension fund as of June 30, 2010 and June 30, 2011 was $201.6 billion and $241.7 billion, respectively. CalPERS issues a comprehensive annual financial report and actuarial valuations that include financial statements and required supplementary information. Copies of the CalPERS CAFR and actuarial valuations may be obtained from the CalPERS Financial Services Division, P.O. Box 942703, Sacramento, California 94229-2703. The information set forth therein is not incorporated by reference in this Official Statement.

Supplemental Retirement Programs. Certain Districts participate in supplemental retirement programs for employees not currently covered by CalSTRS or CalPERS. Alpine Union School District provides certain health coverage to employees up to age 65, provided they have worked in such District at least 10 years and is at least 55 years of age at retirement. Cardiff School District provides certain health benefits for employees up to age 65, subject to a five-year limitation and certain other conditions. Carlsbad Unified School District and Fallbrook Union High School District provide a pre-tax retirement program known as the "3121 Plan/Social Security Alternative" through the Fringe Benefits Consortium (the "FBC") to permanent part-time employees and temporary or substitute workers. National School District offers benefits through Public Agency Retirement Services ("PARS") to employees who are not members of CalSTRS or CalPERS. See table entitled "Long-Term Outstanding Obligations" for liability relating to any early retirement incentive program.

Post-Retirement Health Care. In addition to employee health care costs, many of the Districts provide post-employment health care benefits in accordance with collective bargaining agreements. Some of these arrangements place limits on these benefits, such as an aggregate limit on the respective District's costs or a termination of the health care benefits upon the retiree reaching age 65. Most Districts providing post-employment health care benefits do so on a pay-as-you-go basis, paying an amount in each Fiscal Year equal to the benefits distributed or disbursed in that Fiscal Year.

On June 21, 2004, the Governmental Accounting Standards Board ("GASB") released its Governmental Accounting Standards Board Statement No. 45 ("Statement No. 45"), Accounting and *Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Statement No. 45 establishes standards for measuring, recognizing and disclosing post-employment healthcare as well as other forms of post-employment benefits, such as life insurance, when provided separately from a pension plan expense or expenditures and related liabilities in the financial reports of state and local governments (such other post-employment benefits are referred to herein as "OPEB"). Under Statement No. 45, governments will be required to: (i) measure the cost of benefits, and recognize other post-employment benefits expense, on the accrual basis of accounting in periods that approximate employees' years of service; (ii) provide information about the actuarial liabilities for promised benefits associated with past services and whether, or to what extent, those benefits have been funded; and (iii) provide information useful in assessing potential demands on the employer's future cash flows. The Districts' post-employment health benefits fall under Statement No. 45.

The core requirement of Statement No. 45 is that at least biennially an actuarial analysis must be prepared with respect to projected benefits ("Plan Liabilities"); against this would be measured the actuarially determined value of the related assets (the "Plan Assets"). To the extent that Plan Liabilities exceeded Plan Assets, then similar to the actuarial and accounting practices for pension plan liabilities, the difference would be amortized over a period which could be up to 30 years. The method of financial reporting for OPEB costs would be similar to financial reporting for pension plan normal costs and unfunded actuarial accrued liability. The requirements that Statement No. 45 impose on the Districts only affect the Districts' financial statements and would not impose any requirements regarding the funding of any OPEB plans.

The Districts that provide post-employment health care benefits have determined their accrued actuarial liability for OPEB, which represents the costs and obligations incurred as a consequence of receiving services of current employees and retirees, for which benefits are owed in exchange. The following table sets forth each District's accrued actuarial liability for OPEB and the unfunded portion thereof.

OTHER POST-EMPLOYMENT BENEFITS LIABILITY

District	As of Date of Valuation	Accrued Actuarial Liability	Unfunded Accrued Actuarial Liability
Cardiff School District	July 1, 2009	$ 401,395	$ 401,395
Carlsbad Unified School District	July 1, 2012	22,467,207	22,467,207
Encinitas Union School District	July 1, 2011	7,894,113	7,894,113
Fallbrook Union High School District	July 1, 2012	6,223,012	6,223,012
Grossmont Union High School District	July 1, 2010	41,682,691	41,682,691
La Mesa - Spring Valley School District	July 1, 2011	23,972,309	23,972,309
National School District	January 1, 2012	9,554,413	9,554,413
Ramona Unified School District	Not Applicable	Not Applicable	Not Applicable
San Dieguito Union High School District	July 1, 2011	15,210,567	15,210,567

Source: The Districts, respectively.

Temporary Transfers and Use of One-Time Revenues

Temporary Transfer. Certain School Districts have received temporary transfers of funds from the Treasurer-Tax Collector of the County (each, a "Temporary Transfer" and collectively, the "Temporary Transfers"; such transfer is also referred to as a Treasurer's Loan from time to time) for Fiscal Year 2012-13. A Temporary Transfer must be repaid from the Treasury Pool participant's first revenues received thereafter before any other obligation and thus, in the case of the aforementioned Districts, would have a priority over such Districts' general fund debt obligations. Each District may require the County to provide such District with a Temporary Transfer even after the Note Participations are issued, to the extent that there are revenues available therefor. See APPENDIX A – "COUNTY OF SAN DIEGO FINANCIAL, ECONOMIC AND DEMOGRAPHIC INFORMATION – County Financial Information – Temporary Transfers" for a description of Temporary Transfers.

The following table sets forth the Temporary Transfers currently outstanding and the Temporary Transfers projected to be outstanding as of June 30, 2013, which will be repaid from proceeds of the respective School District's Note Participations.

TEMPORARY TRANSFERS

District	Outstanding as of May 24, 2013	Outstanding as June 30, 2013[1]
La Mesa - Spring Valley School District	$12,125,751	$10,128,648
National School District	4,309,317	4,009,154
Ramona Unified School District	2,221,288	2,039,977

Source: San Diego County Office of Education.

(1) Projected. All Temporary Transfers outstanding as of June 30, 2013 will be repaid with proceeds of the respective School District's Note Participations.

Use of One-Time Revenues. Certain Districts have used in Fiscal Year 2012-13 and/or will use in Fiscal Year 2013-14 one-time revenues on on-going expenditures. Carlsbad Unified School District has used general fund excess reserve amounts to mitigate cuts in Fiscal Years 2011-12 and 2012-13, and may use certain one-time revenues in Fiscal Year 2013-14. Fallbrook Union High School District plans to use unrestricted general fund amounts to fund deficits in Fiscal Year 2013-14. Ramona Unified School District and Grossmont Union High School District each expect to use available fund balances to fund expenditures in Fiscal Years 2012-13 and 2013-14.

Continuing Disclosure

Pursuant to the respective Trust Agreements, the Districts have agreed to give, or cause to be given, to the Municipal Securities Rulemaking Board, notice of the occurrence of certain listed events in accordance with Rule 15c2-12(b)(5) (the "Rule") promulgated by the Securities and Exchange Commission. See "Continuing Disclosure" in the forepart of this Official Statement. Except as set forth below, the School Districts have complied with its undertakings pursuant to the Rule.

Cardiff School District had not filed annual reports, including audited financial statements, for Fiscal Years 2003-04 through 2007-08 in accordance with the continuing disclosure certificate executed in connection with general obligation bonds issued in 2000. Each required annual report and audited financial statement was subsequently filed.

Carlsbad Unified School District had not filed, prior to 2009, an event notice in connection with the downgrade of one issue of insured general obligation bonds. Such notice was subsequently filed.

Encinitas Union School District had not filed, prior to 2010, an event notice in connection with downgrades of insured general obligation bonds issued in 1996. Such notice was subsequently filed.

Fallbrook Union High School District had not filed, prior to 2010, an event notice in connection with downgrades of one series of insured general obligation bonds issued in 1998. In 2011, 2012 and 2013, the District did not timely file its annual report, including audited financial statement, for Fiscal Years 2009-10 through 2011-12. The District subsequently filed its annual reports and audited financial statements for Fiscal Years 2009-10 through 2011-12 through the Municipal Securities Rulemaking Board's Electronic Municipal Market Access system.

Grossmont Union High School District had not filed, prior to 2010, an event notice in connection with downgrades of three series of insured general obligation bonds issued in 2004, 2006 and 2008, respectively, and the upgrade of one series of general obligation bonds issued 2009. In addition, the District did not timely file its annual report, including audited financial statement, for Fiscal Year 2010-11. Such annual report, audited financial statement and notices were subsequently filed.

La Mesa-Spring Valley School District had not filed, prior to 2009, event notices in connection with downgrades of certain of its insured general obligation bonds. In addition, the District did not timely file annual reports, including audited financial statements, for Fiscal Years 2004-05 through 2008-09 and Fiscal Years 2010-11 through 2011-12 in accordance with the continuing disclosure certificate executed in connection with general obligation bonds issued in 2005. Each required annual report and audited financial statement was subsequently filed.

Ramona Unified School District did not timely file its annual reports, including audited financial statements, for Fiscal Years 2006-07 through 2009-10 and Fiscal Year 2011-12 in accordance with the continuing disclosure certificate executed in connection with certificates of participation executed and delivered in 2007. Each required annual report and audited financial statement was subsequently filed.

Litigation

Pending lawsuits and other claims against the Districts are incidental to the ordinary course of operations of the Districts and are largely covered by the Districts' self-insurance programs. There are no claims or lawsuits (with any potential loss exceeding $2,000,000) pending against any of the Districts.

SUMMARY OF FINANCIAL INFORMATION

The following tables provide a summary of certain financial information of the Districts.

	Cardiff School District				Carlsbad Unified School District			
	6/30/10 Audited	6/30/11 Audited	6/30/12 Audited	6/30/13 Budgeted	6/30/10 Audited	6/30/11 Audited	6/30/12 Audited	6/30/13 Budgeted
INCOME STATEMENT								
Total Revenues	7,369,351	7,210,888	7,148,076	7,382,023	84,111,508	80,181,955	74,334,517	80,237,641
Total Expenditures	6,940,768	6,838,298	6,903,910	7,393,249	83,371,514	84,219,552	80,192,115	79,209,305
Total Other Financing Sources	(43,865)	(60,459)	(35,029)	253,477	(2,489,339)	2,372,394	520,508	0
Net Income	384,718	312,131	209,137	242,251	(1,749,345)	(1,665,203)	(5,337,090)	1,028,336
Beginning Fund Balance	1,043,856	1,428,575	1,741,813	1,950,950	16,941,630	16,712,892	15,047,690	9,710,600
Adjustments + Transfers	0	1,107	0	(1,078)	1,520,607	0	0	0
Ending Fund Balance	1,428,575	1,741,813	1,950,950	2,192,123	16,712,892	15,047,689	9,710,600	10,738,936
BALANCE SHEET								
Total Assets	1,640,513	1,948,682	2,079,329		19,418,604	17,100,247	11,553,162	
Total Liabilities	211,938	206,869	128,379		2,705,712	2,052,558	1,842,562	
Total Fund Equity	1,428,575	1,741,813	1,950,950		16,712,892	15,047,689	9,710,600	
Total Liabilities and Fund Equity	1,640,513	1,948,682	2,079,329		19,418,604	17,100,247	11,553,162	

	Encinitas Union School District				Fallbrook Union High School District			
	6/30/10 Audited	6/30/11 Audited[1]	6/30/12 Audited	6/30/13 Budgeted[1]	6/30/10 Audited	6/30/11 Audited[1]	6/30/12 Audited	6/30/13 Budgeted[1]
INCOME STATEMENT								
Total Revenues	46,982,662	47,987,333	45,904,398	44,687,242	26,758,310	27,526,286	26,991,542	25,737,398
Total Expenditures	47,919,341	47,815,887	47,463,949	48,707,135	28,178,982	27,330,641	27,085,927	27,955,018
Total Other Financing Sources	212,099	0	0	1,629,210	368,164	0	0	0
Net Income	(724,580)	171,446	(1,559,551)	(2,390,683)	(1,052,508)	195,645	(94,385)	(2,217,620)
Beginning Fund Balance	7,862,461	7,137,881	14,562,554	13,003,003	3,790,033	2,737,525	4,743,318	4,648,933
Adjustments + Transfers	0	7,253,227	0	(5,392,022)	0	1,810,148	0	(215,074)
Ending Fund Balance	7,137,881	14,562,554	13,003,003	5,220,298	2,737,525	4,743,318	4,648,933	2,216,239
BALANCE SHEET								
Total Assets	9,757,632	15,845,368	14,788,909		3,362,302	5,602,979	5,818,967	
Total Liabilities	2,619,751	1,282,814	1,785,906		624,777	859,661	1,170,034	
Total Fund Equity	7,137,881	14,562,554	13,003,003		2,737,525	4,743,318	4,648,933	
Total Liabilities and Fund Equity	9,757,632	15,845,368	14,788,909		3,362,302	5,602,979	5,818,967	

[1] The District implemented *Government Accounting Standard Board Statement No. 54, Fund Balance Reporting and Government Type Definitions* ("GASB 54") during the fiscal year ending June 30, 2011, the effect of which was to reclassify and restate certain other funds as General Fund activities. However, the District's General Fund budget for the fiscal year ending June 30, 2013 does not reflect the implementation of GASB 54.

	Grossmont Union High School District				La Mesa-Spring Valley School District			
	6/30/10 Audited	6/30/11 Audited[1]	6/30/12 Audited	6/30/13 Budgeted[1]	6/30/10 Audited	6/30/11 Audited[1]	6/30/12 Audited	6/30/13 Budgeted[1]
INCOME STATEMENT								
Total Revenues	180,710,586	204,052,793	178,580,460	171,551,081	91,686,831	99,369,870	92,078,911	89,475,677
Total Expenditures	185,844,642	187,622,248	183,701,714	178,214,654	100,054,083	95,320,118	94,329,641	93,761,534
Total Other Financing Sources	(4,810,716)	(7,971,896)	(2,354,187)	75,000	1,454,371	307,273	800,209	302,781
Net Income	(9,944,772)	8,458,649	(7,475,441)	(6,588,573)	(6,912,881)	4,357,025	(1,450,521)	(3,983,076)
Beginning Fund Balance	32,670,775	22,726,003	36,293,749	28,818,308	15,473,039	8,560,158	14,866,531	13,416,010
Adjustments + Transfers	0	5,109,097	0	(16,650)	0	1,949,348	0	(954,852)
Ending Fund Balance	22,726,003	36,293,749	28,818,308	22,213,085	8,560,158	14,866,531	13,416,010	8,478,082
BALANCE SHEET								
Total Assets	33,805,256	48,874,753	39,706,892		16,536,917	26,773,008	26,248,737	
Total Liabilities	11,079,253	12,581,004	10,888,584		7,976,759	11,906,477	12,832,727	
Total Fund Equity	22,726,003	36,293,749	28,818,308		8,560,158	14,866,531	13,416,010	
Total Liabilities and Fund Equity	33,805,256	48,874,753	39,706,892		16,536,917	26,773,008	26,248,737	

	National School District				Ramona Unified School District			
	6/30/10 Audited	6/30/11 Audited	6/30/12 Audited	6/30/13 Budgeted	6/30/10 Audited	6/30/11 Audited[1]	6/30/12 Audited	6/30/13 Budgeted[1]
INCOME STATEMENT								
Total Revenues	46,333,915	48,140,475	48,328,787	46,915,754	55,018,276	50,301,539	47,203,786	45,151,265
Total Expenditures	46,913,440	47,612,215	48,761,983	51,920,226	53,895,503	50,236,809	50,046,206	48,184,217
Total Other Financing Sources	(285,000)	(285,000)	(524,809)	(400,000)	(288,412)	7	0	0
Net Income	(864,525)	243,260	(958,005)	(5,404,472)	834,361	64,737	(2,842,420)	(3,032,952)
Beginning Fund Balance	11,623,082	11,399,673	11,642,932	10,684,927	4,927,957	5,762,318	10,590,340	7,747,921
Adjustments + Transfers	641,116	(1)	0	0	0	4,763,285	1	(1,495,946)
Ending Fund Balance	11,399,673	11,642,932	10,684,927	5,280,455	5,762,318	10,590,340	7,747,921	3,219,023
BALANCE SHEET								
Total Assets	13,185,988	14,305,217	20,049,750		6,729,522	14,207,239	11,736,840	
Total Liabilities	1,786,315	2,662,285	9,364,823		967,204	3,616,899	3,988,919	
Total Fund Equity	11,399,673	11,642,932	10,684,927		5,762,318	10,590,340	7,747,921	
Total Liabilities and Fund Equity	13,185,988	14,305,217	20,049,750		6,729,522	14,207,239	11,736,840	

[1] The District implemented *Government Accounting Standard Board Statement No. 54, Fund Balance Reporting and Government Type Definitions* ("GASB 54") during the fiscal year ending June 30, 2011, the effect of which was to reclassify and restate certain other funds as General Fund activities. However, the District's General Fund budget for the fiscal year ending June 30, 2013 does not reflect the implementation of GASB 54.

	San Dieguito Union High School District			
	6/30/10 Audited	6/30/11 Audited[1]	6/30/12 Audited	6/30/13 Budgeted[1]
INCOME STATEMENT				
Total Revenues	97,572,145	98,349,308	100,580,593	98,217,497
Total Expenditures	99,753,940	99,866,478	101,826,369	103,953,857
Total Other Financing Sources	(13,275)	317,189	(326,531)	(109,444)
Net Income	(2,195,070)	(1,199,981)	(1,572,307)	(5,845,804)
Beginning Fund Balance	16,719,358	16,527,171	17,737,928	16,165,621
Adjustments + Transfers	2,002,883	2,410,738	0	(2,438,146)
Ending Fund Balance	16,527,171	17,737,928	16,165,621	7,881,671
BALANCE SHEET				
Total Assets	20,452,328	20,604,904	18,701,715	
Total Liabilities	3,925,157	2,866,976	2,536,094	
Total Fund Equity	16,527,171	17,737,928	16,165,621	
Total Liabilities and Fund Equity	20,452,328	20,604,904	18,701,715	

[1] The District implemented *Government Accounting Standard Board Statement No. 54, Fund Balance Reporting and Government Type Definitions* ("GASB 54") during the fiscal year ending June 30, 2011, the effect of which was to reclassify and restate certain other funds as General Fund activities. However, the District's General Fund budget for the fiscal year ending June 30, 2013 does not reflect the implementation of GASB 54.

APPENDIX C

CASH FLOW PROJECTIONS OF THE DISTRICTS

The cash flow projections on the following pages represent the current best estimate of each District based on information available as of the date of the projections. As a result of the uncertainties associated with the State budgeting process as described in Appendix B attached hereto, these projections are subject to change and may vary considerably from actual cash flows experienced by each District.

In addition, the cash flow projections set forth in this Appendix C include the following assumptions:

- State funding levels will be as set forth in May Revision to the Fiscal Year 2013-14 Proposed State Budget.
- Incremental revenues associated with the implementation of the Local Control Funding Formula are included in the Fiscal Year 2013-14 cash flow projections. Each District has assumed that 100% of such incremental revenues will be expended in Fiscal Year 2013-14.
- Expenditure reductions which require concessions from a District's bargaining units are not included in the projections.

See Appendix B "INFORMATION REGARDING THE DISTRICTS - State and Federal Funding of Education" attached hereto.

SERIES B-1 PARTICIPANTS

Cardiff School District

2012-2013 GENERAL FUND CASH FLOW (ACTUAL AND PROJECTED)

	Jul (Act)	Aug (Act)	Sep (Act)	Oct (Act)	Nov (Act)	Dec (Act)	Jan (Act)	Feb (Act)	Mar (Act)	Apr (Proj)	May (Proj)	Jun (Proj)	Total
Beginning Cash Balance	1,638,497	1,879,429	1,576,603	1,098,394	745,020	419,620	1,952,349	1,968,983	1,605,442	1,248,736	2,333,299	2,294,373	1,638,497
Receipts													
State Aid Apportionment	-	600	2,593	802	-	1,945	594	468	274	138	-	147,068	154,482
Property Taxes	2,684	64,888	48,572	62,034	207,445	2,006,739	833,988	88,962	180,979	1,643,630	550,618	74,303	5,764,844
Other Revenue Limit Sources	-	-	-	-	-	-	6,840	-	-	5,682	-	9,478	22,000
Federal	5,468	-	2,795	26	-	3,271	112,229	4,128	15,000	-	-	89,947	232,865
Other State	(185,015)	(7,751)	825	143,265	20,212	6,236	34,262	131,698	6,955	56,647	29,711	18,602	255,647
Other Local	(515)	58,366	61,895	126,923	38,962	72,013	138,093	34,898	39,465	26,364	-	-	596,466
Transfers In	288,506	-	-	-	-	-	-	-	-	-	-	-	288,506
Deferrals - Principal Apportionment	7,842	2,566	-	-	-	-	-	-	-	-	-	-	10,408
Deferrals - Other State Revenues	242,143	7,751	-	-	-	-	-	-	-	-	-	-	249,894
Other Prior Year Receivables	53,919	44,006	7,676	17,764	-	34,550	-	71	-	-	-	-	157,987
Temporary Loan Inflows	-	-	-	14,283	-	-	-	20,000	-	-	-	-	34,283
Other Cash Inflows	24,936	1,518	(1,178)	(340)	480	2,720	(3,176)	5,617	531	-	-	-	31,108
TRANs Related Receipts	433,202	-	-	-	-	-	-	-	-	-	-	-	433,202
Total Receipts	873,171	171,944	123,179	364,758	267,099	2,127,474	1,122,830	285,842	243,205	1,732,461	580,329	339,399	8,231,690
Disbursements													
Salaries & Benefits	96,965	417,755	529,984	538,389	505,431	520,574	554,428	520,507	524,553	525,230	536,914	739,759	6,010,489
Commercial Warrant Exp	338,094	93,470	90,077	161,384	89,250	59,780	97,999	70,622	54,133	120,734	79,087	251,714	1,506,344
Transfers Out	75,484	-	-	-	-	-	-	63,908	26,302	1,933	3,254	20,770	191,651
Prior Year Payables	122,899	(126)	138	(279)	(36)	314	(17)	(6)	23	-	-	-	122,911
Other Cash Outflows	(1,202)	(36,329)	(18,811)	18,638	(2,147)	(5,923)	8,678	(5,649)	(5,102)	-	-	-	(47,847)
Temporary Loan Outflows	-	-	-	-	-	20,000	-	-	-	-	-	-	20,000
TRANs Related Disbursements	-	-	-	-	-	-	445,109	-	-	-	-	-	445,109
Total Disbursements	632,239	474,771	601,388	718,132	592,499	594,745	1,106,196	649,382	599,910	647,898	619,255	1,012,242	8,248,658
Ending Cash Balance	1,879,429	1,576,603	1,098,394	745,020	419,620	1,952,349	1,968,983	1,605,442	1,248,736	2,333,299	2,294,373	1,621,530	1,621,530

2013-2014 GENERAL FUND CASH FLOW (PROJECTED)

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Total
Beginning Cash Balance	1,621,530	2,079,210	1,609,219	1,164,521	679,642	360,973	1,856,128	1,700,473	1,373,877	1,077,238	2,160,698	2,166,448	1,621,530
Receipts													
State Aid Apportionment	-	-	36,670	-	-	-	36,670	-	36,670	-	-	36,670	146,680
Property Taxes	4,161	53,069	60,696	70,320	171,616	2,021,899	710,549	86,713	181,650	1,643,630	550,618	209,922	5,764,844
Other Revenue Limit Sources	-	108	(44)	-	-	-	4,655	3,522	6,750	8,420	5,543	21,552	50,505
Federal	(324)	(1,322)	(2,735)	(23)	(576)	27,102	(1,705)	72,971	26,883	(658)	(702)	65,842	184,753
Other State	(58,292)	(8,426)	37,790	37,790	40,441	37,790	64,509	52,137	75,584	87,947	75,153	60,812	503,234
Other Local	28,372	22,645	58,986	69,444	68,321	24,676	70,982	105,843	27,196	27,697	24,596	46,010	574,766
Transfers In	-	-	-	-	-	124,049	-	-	-	-	15,625	140,326	280,000
Deferrals - Principal Apportionment	74,359	29,420	-	-	-	-	-	-	-	-	-	-	103,779
Deferrals - Other State Revenues	236,465	61,638	-	-	-	-	-	-	-	-	-	-	298,103
Other Prior Year Receivables	56,276	29,557	29,557	46,550	29,557	29,557	-	-	-	-	-	-	221,053
Temporary Loan Inflows	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Cash Inflows	-	-	-	-	-	-	-	-	-	-	-	-	-
TRANs Related Receipts	336,920	-	-	-	-	-	-	-	-	-	-	-	336,920
Total Receipts	677,937	186,689	220,919	224,081	309,359	2,265,073	885,659	321,185	354,733	1,767,036	670,832	581,134	8,464,636
Disbursements													
Salaries & Benefits	124,308	444,040	550,879	559,806	547,572	555,312	556,732	548,583	561,392	557,375	569,452	572,463	6,147,913
Commercial Warrant Exp	71,258	202,436	104,534	149,153	79,210	81,807	94,741	92,531	77,944	114,317	74,970	191,472	1,334,374
Transfers Out	4,282	-	-	-	1,246	132,800	40,817	6,667	12,036	11,883	20,660	139,684	370,075
Prior Year Payables	20,408	10,204	10,204	-	-	-	-	-	-	-	-	-	40,816
Other Cash Outflows	-	-	-	-	-	-	-	-	-	-	-	-	-
Temporary Loan Outflows	-	-	-	-	-	-	-	-	-	-	-	-	-
TRANs Related Disbursements	-	-	-	-	-	-	349,025	-	-	-	-	-	349,025
Total Disbursements	220,257	656,681	665,617	708,959	628,028	769,918	1,041,315	647,781	651,372	683,575	665,082	903,619	8,242,203
Ending Cash Balance	2,079,210	1,609,219	1,164,521	679,642	360,973	1,856,128	1,700,473	1,373,877	1,077,238	2,160,698	2,166,448	1,843,964	1,843,964

ALTERNATIVE CASH RESOUCES (75% OF CASH BALANCE)

Fund Type	Fund Purpose	Actual as of 6/30/12	Projected as of 6/30/13	Projected as of 01/31/14*
Special Revenue	Cafeteria	5,044	6,983	6,983
Special Revenue	Deferred Maintanence	232,300	224,935	224,935
Capital Projects	Capital Facilities	64,008	10,375	10,375
Total		301,352	242,294	242,294

* Represents the maturity date

Encinitas Union School District

2012-2013 GENERAL FUND CASH FLOW (ACTUAL AND PROJECTED)

	Jul (Act)	Aug (Act)	Sep (Act)	Oct (Act)	Nov (Act)	Dec (Act)	Jan (Act)	Feb (Act)	Mar (Act)	Apr (Proj)	May (Proj)	Jun (Proj)	Total
Beginning Cash Balance	7,651,487	11,819,732	9,272,120	6,757,847	3,899,734	2,350,592	11,233,240	9,946,763	7,735,110	5,534,009	8,504,171	8,450,527	7,651,487
Receipts													
State Aid Apportionment	-	10,355	44,719	13,838	-	33,520	10,243	3,829	2,203	1,127	-	1,052,874	1,172,708
Property Taxes	16,502	399,052	303,864	381,501	1,181,614	11,866,307	4,935,135	525,395	1,068,166	9,718,854	3,252,884	435,255	34,084,527
Other Revenue Limit Sources	3,585	5,941	5,696	5,657	5,803	5,849	55,076	5,909	5,651	44,169	-	77,577	220,914
Federal	3,041	98,249	86,944	40,826	1,910	25,438	361,630	2,357	135,131	-	-	735,719	1,491,244
Other State	(1,228,758)	(31,490)	22,236	775,992	222,137	265	210,636	735,547	3,077	262,542	95,973	15,296	1,083,452
Other Local	(146,742)	243,864	1,635,512	714,916	649,578	581,949	476,841	288,419	511,534	99,450	-	(240,543)	4,814,779
Transfers In	-	-	594,210	-	-	-	-	-	-	-	527,219	(131,805)	989,624
Deferrals - Principal Apportionment	63,913	11,050	-	-	-	-	-	-	-	-	-	-	74,963
Deferrals - Other State Revenues	1,664,097	31,491	-	-	-	-	-	-	-	-	-	-	1,695,588
Other Prior Year Receivables	434,291	316,467	342,572	120,733	-	233,214	8,174	23,531	122	-	-	-	1,479,104
Temporary Loan Inflows	-	-	-	-	-	3,954	-	-	0	-	-	90,000	93,954
Other Cash Inflows	177,267	(254,102)	(690,982)	857,013	(125,883)	215,249	(340,736)	83,809	135,381	-	-	-	57,016
TRANs Related Receipts	6,058,779	-	-	-	-	-	-	-	-	-	-	-	6,058,779
Total Receipts	7,045,975	830,877	2,344,770	2,910,477	1,935,159	12,965,746	5,716,998	1,668,795	1,861,265	10,126,141	3,876,076	2,034,373	53,316,653
Disbursements													
Salaries & Benefits	2,092,054	3,107,158	3,215,373	3,242,454	3,250,658	3,323,127	3,310,913	3,305,522	3,291,022	3,323,343	3,265,575	3,434,251	38,161,449
Commercial Warrant Exp	114,529	285,626	597,470	924,490	438,573	561,917	753,199	395,502	792,621	782,971	664,144	1,571,877	7,882,920
Transfers Out	-	-	-	-	-	-	-	31,477	9,850	-	-	-	41,327
Prior Year Payables	882,797	85,669	(112,683)	94,760	(173,100)	234,400	(172,674)	178,012	(2,117)	-	-	-	1,015,064
Other Cash Outflows	(212,334)	(119,279)	563,766	162,462	(31,829)	(36,346)	61,885	(30,064)	(29,011)	-	-	-	329,250
Temporary Loan Outflows	685	19,315	595,117	1,344,423	-	-	485	-	-	-	-	-	1,960,026
TRANs Related Disbursements	-	-	-	-	-	-	3,049,667	-	-	3,049,667	-	-	6,099,333
Total Disbursements	2,877,731	3,378,489	4,859,043	5,768,590	3,484,302	4,083,098	7,003,475	3,880,448	4,062,366	7,155,980	3,929,720	5,006,128	55,489,369
Ending Cash Balance	11,819,732	9,272,120	6,757,847	3,899,734	2,350,592	11,233,240	9,946,763	7,735,110	5,534,009	8,504,171	8,450,527	5,478,771	5,478,771

2013-2014 GENERAL FUND CASH FLOW (PROJECTED)

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Total
Beginning Cash Balance	5,478,771	8,503,208	5,825,414	2,830,082	2,709,452	514,053	7,177,357	4,057,046	1,483,580	400,885	5,872,939	6,070,440	5,478,771
Receipts													
State Aid Apportionment	-	-	250,000	-	-	-	250,000	-	250,000	-	-	250,000	1,000,000
Property Taxes	25,342	318,837	365,577	418,383	1,027,915	12,139,433	4,262,660	520,119	1,087,924	9,867,088	3,302,498	1,259,982	34,595,757
Other Revenue Limit Sources	5,847	8,747	1,993	15,438	8,579	8,704	36,902	30,153	61,359	69,858	42,824	53,415	343,818
Federal	3,618	7,926	50,517	4,536	9,753	209,169	34,744	490,466	224,724	14,825	9,630	502,393	1,562,302
Other State	(396,393)	(80,442)	219,488	219,488	219,488	219,488	384,328	219,488	219,488	384,328	350,645	349,034	2,308,426
Other Local	249,460	325,242	410,201	396,023	504,194	239,960	306,745	297,659	278,810	115,994	169,325	(94,349)	3,199,264
Transfers In	-	165,329	57,878	212,217	-	-	(106,000)	-	-	-	140,768	(35,192)	435,000
Deferrals - Principal Apportionment	511,556	202,380	-	-	-	-	-	-	-	-	-	-	713,936
Deferrals - Other State Revenues	1,560,929	443,405	-	-	-	-	-	-	-	-	-	-	2,004,334
Other Prior Year Receivables	357,313	192,473	192,473	251,813	192,473	192,473	-	-	-	-	-	-	1,379,016
Temporary Loan Inflows	-	-	-	2,500,000	-	-	-	-	1,000,000	-	-	-	3,500,000
Other Cash Inflows	-	-	-	-	-	-	-	-	-	-	-	-	-
TRANs Related Receipts	4,173,924	-	-	-	-	-	-	-	-	-	-	-	4,173,924
Total Receipts	6,491,596	1,583,897	1,548,127	4,017,897	1,962,401	13,009,227	5,169,378	1,557,885	3,122,304	10,452,092	4,015,690	2,285,283	55,215,777
Disbursements													
Salaries & Benefits	2,274,809	3,233,887	3,287,017	3,331,762	3,315,372	3,387,978	3,315,233	3,359,480	3,381,786	3,372,572	3,313,506	3,486,661	39,060,063
Commercial Warrant Exp	397,093	630,176	861,388	807,942	842,427	457,946	769,961	776,091	823,213	607,466	504,683	1,143,100	8,621,488
Transfers Out	-	-	(2,575)	(1,178)	-	-	1,019	(4,220)	-	-	-	(15,406)	(22,359)
Prior Year Payables	795,257	397,629	397,629	-	-	-	-	-	-	-	-	-	1,590,515
Other Cash Outflows	-	-	-	-	-	-	-	-	-	-	-	-	-
Temporary Loan Outflows	-	-	-	-	-	2,500,000	-	-	-	1,000,000	-	-	3,500,000
TRANs Related Disbursements	-	-	-	-	-	-	4,203,475	-	-	-	-	-	4,203,475
Total Disbursements	3,467,159	4,261,691	4,543,459	4,138,527	4,157,800	6,345,924	8,289,689	4,131,351	4,204,999	4,980,038	3,818,189	4,614,355	56,953,181
Ending Cash Balance	8,503,208	5,825,414	2,830,082	2,709,452	514,053	7,177,357	4,057,046	1,483,580	400,885	5,872,939	6,070,440	3,741,367	3,741,367

ALTERNATIVE CASH RESOUCES (75% OF CASH BALANCE)

Fund Type	Fund Purpose	Actual as of 6/30/12	Projected as of 6/30/13	Projected as of 01/31/14*
Special Revenue	Cafeteria	20,237	12,072	12,072
Special Revenue	Deferred Maintanence	218,873	67,500	67,500
Special Revenue	Special Reserve for Non-Capital Outlay	2,199,263	2,812,500	2,812,500
Special Revenue	Special Reserve for Post Employment Benefits	277,778	278,576	278,576
Capital Projects	Special Reserve for Capital Outlay	328,892	181,778	181,778
Internal Service	Self-Insurance Fund	974,108	1,266,483	1,266,483
Capital Projects	Capital Facilities	576,601	513,808	513,808
Total		4,595,752	5,132,716	5,132,716

* Represents the maturity date

La Mesa-Spring Valley School District

2012-2013 GENERAL FUND CASH FLOW (ACTUAL AND PROJECTED)

	Jul (Act)	Aug (Act)	Sep (Act)	Oct (Act)	Nov (Act)	Dec (Act)	Jan (Act)	Feb (Act)	Mar (Act)	Apr (Act)	May (Proj)	Jun (Proj)	Total
Beginning Cash Balance	2,628,732	17,160,477	11,836,208	10,408,342	6,112,022	4,431,941	8,941,999	7,501,166	4,385,726	10,309,623	5,739,052	629,552	2,628,732
Receipts													
State Aid Apportionment	-	532,891	3,355,548	1,281,817	2,372,069	4,581,583	2,372,069	1,641,301	943,896	482,880	-	12,026,251	29,590,305
Property Taxes	289,200	301,799	217,033	257,591	815,797	6,533,443	3,787,075	359,686	730,786	4,766,107	2,067,294	1,548,529	21,674,339
Other Revenue Limit Sources	15,755	20,794	21,033	20,586	21,010	20,679	131,159	20,986	21,321	122,509	112,045	42,679	570,556
Federal	-	104,330	305,167	226,652	79,577	44,027	1,669,472	63,186	1,095,879	373,595	1,542	2,006,626	5,970,054
Other State	-	318,048	470,660	2,071,988	1,260,405	655,025	1,080,643	1,748,034	1,108,842	1,289,373	479,641	887,987	11,370,646
Other Local	5,371	(326,773)	814,464	372,563	1,375,808	1,059,661	639,326	426,292	282,288	396,391	71,874	-	5,117,265
Transfers In	-	-	328,721	-	-	-	70,842	-	-	-	31,500	-	431,063
Deferrals - Principal Apportionment	9,346,744	6,271,916	-	-	-	-	-	-	-	-	-	-	15,618,660
Deferrals - Other State Revenues	1,391,724	138,246	-	-	-	-	-	-	-	-	-	-	1,529,970
Other Prior Year Receivables	(10,693,287)	13,629,442	538,631	366,339	50,922	124,369	136,184	712,718	10,241	16,279	105,242	-	4,997,080
Temporary Loan Inflows	8,537,158	-	-	-	-	-	-	-	9,891,811	873,580	-	-	19,302,549
Other Cash Inflows	12,666,574	(12,103,821)	(9,676)	(47,160)	28,203	53,263	(40,187)	47,949	(18,655)	(17,607)	-	-	558,883
TRANs Related Receipts	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Receipts	21,559,239	8,886,873	6,041,581	4,550,375	6,003,791	13,072,049	9,846,584	5,020,152	14,066,409	8,303,107	2,869,138	16,512,072	116,731,371
Disbursements													
Salaries & Benefits	5,906,498	5,880,097	6,629,797	6,778,299	6,754,148	6,737,252	6,798,676	7,005,446	7,475,284	7,123,298	6,868,045	6,529,569	80,486,410
Commercial Warrant Exp	227,851	880,026	728,461	1,284,041	550,790	502,534	931,652	827,283	751,632	1,495,381	1,110,594	1,983,478	11,273,722
Transfers Out	699	7,014	349	949	349	(1,310)	7,014	350	350	7,015	-	(219,937)	(197,157)
Prior Year Payables	741,676	821,188	105,829	5,480	6,791	147,936	722	9,681	4,908	(29,852)	-	55,626	1,869,986
Other Cash Outflows	150,770	(506,179)	(157,289)	405,817	(53,426)	(77,495)	136,478	(78,997)	(89,661)	4,277,836	-	-	4,007,856
Temporary Loan Outflows	-	7,128,996	162,299	372,110	425,218	1,253,074	3,412,873	371,828	-	-	-	1,500,000	14,626,398
TRANs Related Disbursements	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Disbursements	7,027,495	14,211,141	7,469,447	8,846,695	7,683,871	8,561,992	11,287,417	8,135,591	8,142,513	12,873,678	7,978,638	9,848,736	112,067,215
Ending Cash Balance	17,160,477	11,836,208	10,408,342	6,112,022	4,431,941	8,941,999	7,501,166	4,385,726	10,309,623	5,739,052	629,552	7,292,888	7,292,888

2013-2014 GENERAL FUND CASH FLOW (PROJECTED)

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Total
Beginning Cash Balance	7,292,888	11,343,665	9,345,493	8,627,351	4,952,375	2,994,694	7,433,650	3,323,825	6,588,458	4,870,028	8,509,844	4,208,203	7,292,888
Receipts													
State Aid Apportionment	1,522,185	1,522,185	5,161,630	2,739,934	2,739,934	2,739,934	5,161,630	2,006,240	3,752,086	879,823	407,946	2,421,697	31,055,222
Property Taxes	44,483	217,761	268,453	273,199	683,070	6,551,460	3,174,052	335,267	719,038	5,353,675	2,067,396	1,554,715	21,242,569
Other Revenue Limit Sources	6,179	9,157	8,930	8,791	7,752	8,996	23,611	19,209	120,765	111,758	27,297	187,357	539,801
Federal	(3)	(12,132)	(42,122)	5,635	1,821	795,743	(14,047)	1,392,435	780,733	(13,845)	(7,310)	1,458,215	4,345,125
Other State	77,722	596,772	1,740,855	607,044	1,273,309	607,044	1,431,953	1,852,367	877,152	1,016,945	836,272	485,617	11,403,052
Other Local	298,567	324,185	573,517	605,117	1,388,247	518,961	606,959	451,527	630,930	227,221	166,753	224,238	6,016,222
Transfers In	-	-	-	12,814	-	2,132	(1)	5	4,072	-	-	12,355	31,377
Deferrals - Principal Apportionment	8,001,456	4,420,462	-	-	-	-	-	-	-	-	-	-	12,421,918
Deferrals - Other State Revenues	2,498,748	978,428	-	-	-	-	-	-	-	-	-	-	3,477,176
Other Prior Year Receivables	492,335	-	267,506	463,763	-	66,694	-	-	-	-	-	-	1,290,298
Temporary Loan Inflows	-	-	-	-	-	957,340	-	5,111,516	-	4,193,176	-	-	10,262,032
Other Cash Inflows	-	-	-	-	-	-	-	-	-	-	-	-	-
TRANs Related Receipts	6,529,437	-	-	-	-	-	-	-	-	-	-	-	6,529,437
Total Receipts	19,471,109	8,056,818	7,978,770	4,716,297	6,094,134	12,248,304	10,384,156	11,168,566	6,884,775	11,768,753	3,498,354	6,344,194	108,614,230
Disbursements													
Salaries & Benefits	5,981,663	5,990,390	6,856,999	6,980,105	6,875,697	6,917,182	6,951,232	6,959,255	6,981,090	7,098,531	6,942,126	6,798,820	81,333,091
Commercial Warrant Exp	507,492	970,051	1,366,939	1,408,756	1,166,232	891,937	973,106	942,274	902,418	1,051,329	851,067	1,162,602	12,194,203
Transfers Out	-	5,394	8,113	2,413	9,886	229	3,926	2,404	660	(20,923)	6,801	222,168	241,071
Prior Year Payables	929,720	464,860	464,860	-	-	-	-	-	-	-	-	-	1,859,441
Other Cash Outflows	-	-	-	-	-	-	-	-	-	-	-	-	-
Temporary Loan Outflows	8,001,456	2,624,295	-	-	-	-	-	-	719,038	-	-	957,340	12,302,129
TRANs Related Disbursements	-	-	-	-	-	-	6,565,717	-	-	-	-	-	6,565,717
Total Disbursements	15,420,332	10,054,990	8,696,911	8,391,273	8,051,815	7,809,348	14,493,981	7,903,933	8,603,206	8,128,937	7,799,994	9,140,931	114,495,651
Ending Cash Balance	11,343,665	9,345,493	8,627,351	4,952,375	2,994,694	7,433,650	3,323,825	6,588,458	4,870,028	8,509,844	4,208,203	1,411,466	1,411,466

ALTERNATIVE CASH RESOUCES (75% OF CASH BALANCE)

Fund Type	Fund Purpose	Actual as of 6/30/12	Projected as of 6/30/13	Projected as of 01/31/14*
Special Revenue	Child Development	13,950	125,991	125,991
Special Revenue	Cafeteria	84,952	252,686	252,686
Special Revenue	Special Reserve for Non-Capital Outlay	715,607	718,005	0
Capital Projects	Capital Facilities	565,498	241,709	241,709
Capital Projects	Special Reserve for Capital Outlay	317,684	18,871	18,871
Enterprise	Other Enterprise	222,955	555,815	555,815
Total		1,920,647	1,913,077	1,195,072

* Represents the maturity date

National School District

2012-2013 GENERAL FUND CASH FLOW (ACTUAL AND PROJECTED)	Jul (Act)	Aug (Act)	Sep (Act)	Oct (Act)	Nov (Act)	Dec (Act)	Jan (Act)	Feb (Act)	Mar (Act)	Apr (Act)	May (Proj)	Jun (Proj)	Total
Beginning Cash Balance	5,541,187	13,605,152	9,265,067	9,346,289	7,596,518	7,561,387	9,679,813	5,053,119	4,322,135	2,426,926	5,203,437	1,809,423	5,541,187
Receipts													
State Aid Apportionment	-	366,325	2,306,701	881,159	1,630,629	3,149,512	1,630,629	938,824	539,908	276,208	-	5,655,072	17,374,967
Property Taxes	1,288,036	68,816	47,165	50,740	178,404	1,354,857	1,112,686	75,625	153,613	857,454	427,795	623,540	6,238,731
Other Revenue Limit Sources	8,279	45,083	9,213	8,811	9,035	9,335	62,221	6,952	4,466	56,731	-	106,863	326,990
Federal	-	10,095	313,010	8,077	70,905	107,658	1,034,940	6,151	817,710	(92,825)	-	1,353,956	3,629,677
Other State	-	113,832	287,687	1,570,744	700,481	166,222	360,685	1,386,679	255,397	757,112	569,927	174,965	6,343,731
Other Local	(212,999)	135,901	353,086	127,669	1,594,302	414,399	269,327	162,208	149,458	611,842	41,868	46,602	3,693,662
Transfers In	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferrals - Principal Apportionment	5,934,134	3,886,136	-	-	-	-	-	-	-	-	-	-	9,820,270
Deferrals - Other State Revenues	1,398,488	-	-	-	-	-	-	-	-	-	-	-	1,398,488
Other Prior Year Receivables	839,093	356,254	249,810	136,335	46,996	55,452	221,027	262,372	941	204,882	-	-	2,373,163
Temporary Loan Inflows	-	-	579,537	-	-	268,093	-	212,810	308,296	4,039,849	-	654,394	6,062,980
Other Cash Inflows	272,151	(7,030)	(80,511)	44,442	(124,118)	123,648	8,382	14,288	5,222	(88,852)	-	-	167,622
TRANs Related Receipts	5,023,275	-	-	-	-	-	-	-	-	-	-	-	5,023,275
Total Receipts	14,550,458	4,975,411	4,065,698	2,827,977	4,106,634	5,649,177	4,699,897	3,065,910	2,235,012	6,622,401	1,039,590	8,615,392	62,453,557
Disbursements													
Salaries & Benefits	2,560,954	2,683,640	3,353,575	3,233,832	3,277,563	3,308,407	3,270,926	3,197,926	3,321,988	3,249,262	3,247,255	3,317,862	38,023,189
Commercial Warrant Exp	768,870	694,211	789,340	1,041,785	376,704	209,508	748,747	568,352	511,452	575,323	895,295	1,505,150	8,684,738
Transfers Out	(2,146)	(19,624)	18,786	(28,402)	(30,090)	(25,019)	26,336	(29,165)	368,324	(24,812)	(9,246)	145,896	390,837
Prior Year Payables	440,669	840,848	(61,784)	(120,308)	200,398	46,071	6,770	71,494	(43,178)	(10,265)	-	-	1,370,716
Other Cash Outflows	(241,028)	(28,968)	(115,440)	184,418	(31,475)	(8,216)	44,571	(11,715)	(28,364)	56,383	-	-	(179,835)
Temporary Loan Outflows	2,959,173	5,145,390	-	266,423	348,665	-	171,186	-	-	-	300,301	-	9,191,137
TRANs Related Disbursements	-	-	-	-	-	-	5,058,056	-	-	-	-	-	5,058,056
Total Disbursements	6,486,492	9,315,497	3,984,477	4,577,748	4,141,764	3,530,751	9,326,591	3,796,893	4,130,221	3,845,890	4,433,604	4,968,908	62,538,837
Ending Cash Balance	13,605,152	9,265,067	9,346,289	7,596,518	7,561,387	9,679,813	5,053,119	4,322,135	2,426,926	5,203,437	1,809,423	5,455,907	5,455,907

2013-2014 GENERAL FUND CASH FLOW (PROJECTED)	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Total
Beginning Cash Balance	5,455,907	5,618,793	4,906,205	5,089,940	3,588,794	4,312,480	4,793,721	3,185,586	2,446,686	2,472,170	5,254,933	2,576,612	5,455,907
Receipts													
State Aid Apportionment	1,030,296	1,030,296	3,020,124	1,854,532	1,854,532	1,854,532	3,020,124	1,357,930	2,066,070	595,511	276,119	1,165,591	19,125,656
Property Taxes	16,138	44,774	38,537	56,506	121,438	1,337,112	999,833	54,878	139,397	1,077,725	426,879	661,309	4,974,526
Other Revenue Limit Sources	5,879	8,238	8,602	20,032	11,329	10,667	39,679	24,532	(26,654)	87,400	38,710	127,033	355,447
Federal	697	78	3,294	1,147	2,169	816,579	5,774	584,380	816,892	1,707	635	1,110,509	3,343,863
Other State	6,697	170,649	1,400,132	159,613	570,455	159,613	809,301	1,196,625	565,776	392,284	562,714	150,513	6,144,371
Other Local	119,499	122,419	221,133	240,047	1,667,345	213,641	299,429	193,515	630,022	101,572	71,650	63,108	3,943,380
Transfers In	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferrals - Principal Apportionment	3,763,931	1,666,724	-	-	-	-	-	-	-	-	-	-	5,430,655
Deferrals - Other State Revenues	1,827,077	469,424	-	-	-	-	-	-	-	-	-	-	2,296,501
Other Prior Year Receivables	273,977	-	471,770	722,277	471,770	471,770	-	-	-	-	-	-	2,411,565
Temporary Loan Inflows	-	-	-	-	-	-	-	-	-	4,768,016	-	-	4,768,016
Other Cash Inflows	-	-	-	-	-	-	-	-	-	-	-	-	-
TRANs Related Receipts	2,061,750	-	-	-	-	-	-	-	-	-	-	-	2,061,750
Total Receipts	9,105,942	3,512,602	5,163,592	3,054,153	4,699,038	4,863,915	5,174,140	3,411,860	4,191,504	7,024,215	1,376,708	3,278,063	54,855,731
Disbursements													
Salaries & Benefits	3,429,972	2,933,764	3,594,022	3,412,796	3,450,168	3,454,238	3,372,131	3,484,513	3,509,463	3,477,617	3,374,137	3,447,448	40,940,270
Commercial Warrant Exp	382,439	758,216	817,083	1,155,789	549,705	941,405	1,119,525	645,164	669,182	762,579	696,520	995,770	9,493,377
Transfers Out	53,390	(3,217)	32,324	(13,287)	(24,521)	(12,969)	206,585	21,083	(12,625)	1,256	(15,628)	238,674	471,065
Prior Year Payables	1,072,855	536,427	536,427	-	-	-	-	-	-	-	-	-	2,145,710
Other Cash Outflows	0	-	-	-	-	-	-	-	-	-	-	-	0
Temporary Loan Outflows	4,004,400	-	-	-	-	-	-	-	-	-	-	-	4,004,400
TRANs Related Disbursements	-	-	-	-	-	-	2,084,033	-	-	-	-	-	2,084,033
Total Disbursements	8,943,056	4,225,190	4,979,857	4,555,298	3,975,352	4,382,674	6,782,275	4,150,760	4,166,020	4,241,452	4,055,029	4,681,891	59,138,855
Ending Cash Balance	5,618,793	4,906,205	5,089,940	3,588,794	4,312,480	4,793,721	3,185,586	2,446,686	2,472,170	5,254,933	2,576,612	1,172,784	1,172,784

ALTERNATIVE CASH RESOUCES (75% OF CASH BALANCE)

Fund Type	Fund Purpose	Actual as of 6/30/12	Projected as of 6/30/13	Projected as of 01/31/14*
Special Revenue	Child Development	200,166	(2,924)	(2,924)
Special Revenue	Cafeteria	1,392,764	1,305,847	1,305,847
Special Revenue	Deferred Maintanence	702,890	161,840	161,840
Capital Projects	Capital Facilities	229,585	254,005	254,005
Capital Projects	County School Facilities	10,084	10,113	10,113
Capital Projects	Special Reserve for Capital Outlay	424,267	420,227	420,227
Total		2,959,757	2,149,109	2,149,109

* Represents the maturity date

SERIES B-2 PARTICIPANTS

Carlsbad Unified School District

2012-2013 GENERAL FUND CASH FLOW (ACTUAL AND PROJECTED)

	Jul (Act)	Aug (Act)	Sep (Act)	Oct (Act)	Nov (Act)	Dec (Act)	Jan (Act)	Feb (Act)	Mar Act)	Apr (Proj)	May (Proj)	Jun (Proj)	Total
Beginning Cash Balance	7,608,508	20,278,514	19,012,790	15,105,044	9,581,205	5,390,823	19,901,244	17,694,350	13,118,331	9,160,196	13,420,574	12,626,795	7,608,508
Receipts													
State Aid Apportionment	-	(433)	(1,870)	(579)	-	(1,402)	(429)	(1,037)	(596)	(305)	-	2,099,576	2,092,925
Property Taxes	175,964	1,478,380	1,281,005	679,813	1,996,489	20,508,864	10,530,765	902,207	1,830,603	17,939,956	5,791,945	1,556,959	64,672,951
Other Revenue Limit Sources	-	-	-	-	-	-	98,488	-	-	89,465	-	158,465	346,418
Federal	1,339	796	150,509	9,486	7,231	12,356	850,657	18,672	202,312	-	-	1,276,019	2,529,378
Other State	(757,842)	(174,839)	228,282	196,394	324,601	(668,572)	409,489	921,591	286,001	708,950	283,713	251,199	2,008,967
Other Local	161,042	113,134	624,016	385,685	352,280	626,138	748,715	433,012	558,351	250,004	179,585	715,784	5,147,746
Transfers In	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferrals - Principal Apportionment	129,167	524	-	-	-	-	-	-	-	-	-	-	129,691
Deferrals - Other State Revenues	756,644	192,175	-	-	-	-	-	-	-	-	-	-	948,819
Other Prior Year Receivables	(208,968)	(175,099)	1,043,427	1,407,192	111	454,016	12,314	29,934	3,407	-	-	-	2,566,335
Temporary Loan Inflows	-	-	-	-	-	-	-	-	-	-	-	140,000	140,000
Other Cash Inflows	1,374,413	496,282	(931,656)	(720,372)	4,716	323,966	(329,891)	8,905	25,891	-	-	-	252,253
TRANs Related Receipts	14,459,424	-	-	-	-	-	-	-	-	-	-	-	14,459,424
Total Receipts	16,091,183	1,930,920	2,393,713	1,957,619	2,685,429	21,255,366	12,320,108	2,313,284	2,905,969	18,988,070	6,255,243	6,198,003	95,294,907
Disbursements													
Salaries & Benefits	1,760,539	2,087,548	5,833,438	5,952,968	5,954,933	6,107,539	5,974,376	6,083,343	6,037,490	6,214,078	6,149,709	6,743,348	64,899,309
Commercial Warrant Exp	391,190	908,025	666,623	1,408,644	970,355	630,227	1,133,269	845,727	853,214	1,247,782	899,313	2,283,072	12,237,441
Transfers Out	-	257,530	65,306	8,835	-	-	8,418	-	-	-	-	-	340,089
Prior Year Payables	1,382,803	7,473	(4,683)	(376)	(989)	107,551	(4,987)	3,954	14,308	-	-	-	1,505,054
Other Cash Outflows	(159,767)	(63,932)	(267,152)	111,387	(48,488)	(100,372)	150,094	(43,720)	(40,908)	-	-	-	(462,859)
Temporary Loan Outflows	46,412	-	7,928	-	-	-	-	-	-	-	-	-	54,340
TRANs Related Disbursements	-	-	-	-	-	-	7,265,831	-	-	7,265,831	-	-	14,531,662
Total Disbursements	3,421,178	3,196,644	6,301,459	7,481,458	6,875,811	6,744,945	14,527,001	6,889,304	6,864,104	14,727,691	7,049,023	9,026,419	93,105,037
Ending Cash Balance	20,278,514	19,012,790	15,105,044	9,581,205	5,390,823	19,901,244	17,694,350	13,118,331	9,160,196	13,420,574	12,626,795	9,798,378	9,798,378

2013-2014 GENERAL FUND CASH FLOW (PROJECTED)

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Total
Beginning Cash Balance	9,798,378	18,581,166	17,284,397	12,462,827	7,102,149	2,978,818	17,834,919	14,772,221	10,191,024	5,861,950	11,426,184	10,848,919	9,798,378
Receipts													
State Aid Apportionment	(1,952)	(1,952)	525,442	(1,952)	-	-	526,613	(648)	526,964	(285)	(131)	527,394	2,099,491
Property Taxes	35,548	1,549,502	1,288,854	990,027	1,786,910	20,897,136	8,001,621	886,910	1,837,456	17,109,291	5,849,054	2,669,652	62,901,961
Other Revenue Limit Sources	-	-	-	-	-	-	-	-	101,207	85,189	-	143,465	329,861
Federal	135	1,349	42,713	13,536	6,342	285,812	19,407	925,586	299,574	7,610	8,087	777,989	2,388,139
Other State	(671,028)	(183,500)	77,135	77,135	573,382	75,182	(9,459)	437,717	75,612	501,500	544,130	415,688	1,913,494
Other Local	291,319	215,897	511,317	520,063	510,076	313,825	515,741	435,181	354,643	234,298	337,150	485,754	4,725,264
Transfers In	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferrals - Principal Apportionment	591,763	234,114	-	-	-	-	-	-	-	-	-	-	825,877
Deferrals - Other State Revenues	1,351,030	-	-	-	-	-	-	-	-	-	-	-	1,351,030
Other Prior Year Receivables	871,933	418,385	418,385	801,657	418,385	418,385	-	-	-	-	-	-	3,347,129
Temporary Loan Inflows	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Cash Inflows	-	-	-	-	-	-	-	-	-	-	-	-	-
TRANs Related Receipts	9,342,068	-	-	-	-	-	-	-	-	-	-	-	9,342,068
Total Receipts	11,810,817	2,233,795	2,863,845	2,400,465	3,295,095	21,990,340	9,053,922	2,684,747	3,195,455	17,937,603	6,738,289	5,019,941	89,224,315
Disbursements													
Salaries & Benefits	1,684,647	2,207,132	6,053,220	6,232,741	6,290,915	6,257,599	6,186,974	6,313,730	6,354,197	6,366,005	6,299,595	6,908,124	67,154,880
Commercial Warrant Exp	674,334	1,010,775	1,300,451	1,538,527	1,132,430	876,640	1,234,047	963,470	1,167,120	1,310,872	1,023,422	2,391,227	14,623,313
Transfers Out	-	(21,866)	(2,780)	(10,124)	(4,920)	-	(1,144)	(11,256)	3,211	(251)	(7,462)	2,936	(53,655)
Prior Year Payables	669,047	334,524	334,524	-	-	-	-	-	-	-	-	-	1,338,094
Other Cash Outflows	-	-	-	-	-	-	-	-	-	-	-	-	-
Temporary Loan Outflows	-	-	-	-	-	-	-	-	-	-	-	-	-
TRANs Related Disbursements	-	-	-	-	-	-	4,696,743	-	-	4,696,743	-	-	9,393,487
Total Disbursements	3,028,029	3,530,564	7,685,415	7,761,144	7,418,426	7,134,239	12,116,620	7,265,944	7,524,529	12,373,369	7,315,555	9,302,287	92,456,119
Ending Cash Balance	18,581,166	17,284,397	12,462,827	7,102,149	2,978,818	17,834,919	14,772,221	10,191,024	5,861,950	11,426,184	10,848,919	6,566,574	6,566,574

ALTERNATIVE CASH RESOUCES (75% OF CASH BALANCE)

Fund Type	Fund Purpose	Actual as of 6/30/12	Projected as of 6/30/13	Projected as of 04/30/14*
Special Revenue	Cafeteria	221,522	87,764	87,764
Capital Projects	Capital Facilities	2,382,362	2,234,025	2,234,025
Capital Projects	County School Facilities	0	19,500,000	19,500,000
Capital Projects	Capital Project for Blended Component Uses	4,714,047	4,519,022	3,394,022
Total		7,317,930	26,340,811	25,215,811

* Represents the maturity date

Fallbrook Union High School District

2012-2013 GENERAL FUND CASH FLOW (ACTUAL AND PROJECTED)

	Jul (Act)	Aug (Act)	Sep (Act)	Oct (Act)	Nov (Act)	Dec (Act)	Jan (Act)	Feb (Act)	Mar (Act)	Apr (Proj)	May (Proj)	Jun (Proj)	Total
Beginning Cash Balance	1,747,435	6,500,986	5,906,247	5,091,114	3,992,603	2,531,204	4,404,601	3,498,261	2,145,648	2,801,514	2,958,712	2,086,905	1,747,435
Receipts													
State Aid Apportionment	-	117,020	505,355	156,379	-	378,794	115,755	24,783	14,252	7,292	-	3,367,008	4,686,638
Property Taxes	16,783	120,821	82,608	100,378	248,275	3,012,449	2,520,288	133,765	252,808	2,960,320	1,730,702	464,893	11,644,089
Other Revenue Limit Sources	33,678	45,959	4,725	4,623	5,010	4,895	31,942	5,196	5,130	23,785	-	60,984	225,927
Federal	9,455	29,698	86,290	168,176	145,658	60,330	285,114	110,741	2,360,805	1,225,600	-	592,297	5,074,165
Other State	-	257,573	192,847	332,478	287,481	170,880	253,634	193,460	278,821	290,076	228,035	197,092	2,682,377
Other Local	3,125	32,520	243,129	156,101	123,567	321,670	213,150	132,435	175,331	75,108	36,134	1,955	1,514,225
Transfers In	-	-	-	-	-	-	64	-	-	-	-	-	64
Deferrals - Principal Apportionment	1,361,712	629,379	-	-	-	-	-	-	-	-	-	-	1,991,091
Deferrals - Other State Revenues	-	47,974	-	-	-	-	-	-	-	-	-	-	47,974
Other Prior Year Receivables	(72,299)	966,614	154,819	301,713	9,697	119,521	-	55,277	-	-	-	-	1,535,343
Temporary Loan Inflows	-	41,969	-	-	-	-	-	-	-	-	-	-	41,969
Other Cash Inflows	778,095	(709,646)	(2,421)	2,637	904	(2,112)	1,305	8,687	(13,330)	-	-	-	64,120
TRANs Related Receipts	3,810,949	-	-	-	-	-	-	-	-	-	-	-	3,810,949
Total Receipts	5,941,499	1,579,881	1,267,351	1,222,484	820,593	4,066,429	3,421,251	664,344	3,073,817	4,582,182	1,994,871	4,684,229	33,318,931
Disbursements													
Salaries & Benefits	357,921	1,460,232	1,779,521	1,770,374	1,813,680	1,838,466	1,920,631	1,829,632	1,850,576	1,898,593	1,886,948	2,061,318	20,467,892
Commercial Warrant Exp	74,552	477,956	325,796	496,235	538,627	294,206	464,594	275,788	598,675	597,168	970,825	687,997	5,802,419
Transfers Out	-	-	-	14,136	-	-	6,838	-	-	7,932	8,906	121,634	159,446
Prior Year Payables	806,037	292,268	17,947	(33,678)	(44,273)	75,840	(8,937)	(81,341)	(14,282)	-	-	-	1,009,581
Other Cash Outflows	(50,563)	(55,835)	(40,780)	73,928	(26,041)	(15,481)	23,175	(7,122)	(17,017)	-	-	-	(115,736)
Temporary Loan Outflows	-	-	-	-	-	-	-	-	-	-	-	-	-
TRANs Related Disbursements	-	-	-	-	-	-	1,921,290	-	-	1,921,290	-	-	3,842,580
Total Disbursements	1,187,948	2,174,621	2,082,484	2,320,995	2,281,992	2,193,031	4,327,591	2,016,957	2,417,951	4,424,983	2,866,678	2,870,949	31,166,182
Ending Cash Balance	6,500,986	5,906,247	5,091,114	3,992,603	2,531,204	4,404,601	3,498,261	2,145,648	2,801,514	2,958,712	2,086,905	3,900,184	3,900,184

2013-2014 GENERAL FUND CASH FLOW (PROJECTED)

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Total
Beginning Cash Balance	3,900,184	5,339,326	4,155,794	3,254,924	1,931,256	1,119,548	3,167,128	3,754,205	2,698,578	2,236,534	2,977,147	2,840,230	3,900,184
Receipts													
State Aid Apportionment	421,800	421,800	1,100,831	421,800	-	-	847,751	140,038	771,827	61,575	28,401	679,030	4,894,853
Property Taxes	12,695	90,789	102,417	105,981	256,833	3,505,945	2,041,595	129,815	221,418	2,960,320	1,730,702	485,579	11,644,089
Other Revenue Limit Sources	3,057	3,037	8,339	5,888	3,811	3,918	11,201	10,628	32,072	33,350	13,132	62,388	190,819
Federal	8,669	26,441	91,825	5,038	543,120	395,602	21,894	477,019	426,457	123,760	129,962	480,146	2,729,932
Other State	81,085	209,429	286,782	220,091	235,069	168,378	354,260	289,209	246,446	274,433	238,551	168,378	2,772,109
Other Local	183,272	198,663	198,653	211,600	214,218	89,910	165,478	136,255	108,193	92,724	61,506	402,713	2,063,185
Transfers In	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferrals - Principal Apportionment	756,191	152,951	-	-	-	-	-	-	-	-	-	-	909,142
Deferrals - Other State Revenues	268,016	220,042	-	-	-	-	-	-	-	-	-	-	488,058
Other Prior Year Receivables	255,881	157,375	157,375	213,729	157,375	157,375	-	-	-	-	-	-	1,099,108
Temporary Loan Inflows	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Cash Inflows	-	-	-	-	-	-	-	-	-	-	-	-	-
TRANs Related Receipts	1,093,262	-	-	-	-	-	-	-	-	-	-	-	1,093,262
Total Receipts	3,083,928	1,480,526	1,946,221	1,184,126	1,410,425	4,321,128	3,442,179	1,182,964	1,806,413	3,546,162	2,202,253	2,278,233	27,884,558
Disbursements													
Salaries & Benefits	429,892	1,433,653	1,712,273	1,724,615	1,789,518	1,717,468	1,697,887	1,743,708	1,765,437	1,792,720	1,782,519	1,947,595	19,537,285
Commercial Warrant Exp	452,264	849,090	753,503	773,950	419,610	545,434	600,621	476,092	503,020	447,457	546,383	539,851	6,907,276
Transfers Out	-	-	-	9,230	13,004	10,644	-	18,790	-	8,777	10,268	147,175	217,889
Prior Year Payables	762,631	381,315	381,315	-	-	-	-	-	-	-	-	-	1,525,261
Other Cash Outflows	-	-	-	-	-	-	-	-	-	-	-	-	-
Temporary Loan Outflows	-	-	-	-	-	-	-	-	-	-	-	-	-
TRANs Related Disbursements	-	-	-	-	-	-	556,595	-	-	556,595	-	-	1,113,189
Total Disbursements	1,644,786	2,664,058	2,847,092	2,507,795	2,222,132	2,273,547	2,855,103	2,238,590	2,268,457	2,805,549	2,339,170	2,634,621	29,300,900
Ending Cash Balance	5,339,326	4,155,794	3,254,924	1,931,256	1,119,548	3,167,128	3,754,205	2,698,578	2,236,534	2,977,147	2,840,230	2,483,842	2,483,842

ALTERNATIVE CASH RESOUCES (75% OF CASH BALANCE)

Fund Type	Fund Purpose	Actual as of 6/30/12	Projected as of 6/30/13	Projected as of 04/30/14*
Special Revenue	Cafeteria	223,967	86,002	86,002
Special Revenue	Deferred Maintanence	161,113	137,583	137,583
Capital Projects	Capital Facilities	614,674	863,402	863,402
Total		999,754	1,086,987	1,086,987

* Represents the maturity date

Grossmont Union High School District

2012-2013 GENERAL FUND CASH FLOW (ACTUAL AND PROJECTED)													
	Jul (Act)	Aug (Act)	Sep (Act)	Oct (Act)	Nov (Act)	Dec (Act)	Jan (Act)	Feb (Act)	Mar (Proj)	Apr (Proj)	May (Proj)	Jun (Proj)	Total
Beginning Cash Balance	1,654,164	29,687,797	32,675,959	24,848,071	19,115,679	13,313,644	26,763,590	16,591,913	5,802,270	1,774,220	5,383,304	1,884,686	1,654,164
Receipts													
State Aid Apportionment	-	620,430	3,906,766	1,492,382	2,761,730	5,334,200	2,761,730	1,008,286	579,855	296,644	-	21,458,935	40,220,958
Property Taxes	2,033,447	268,359	(925,446)	(218,886)	1,765,859	21,078,060	12,453,298	98,279	381,606	19,100,384	5,857,645	1,671,030	63,563,636
Other Revenue Limit Sources	31,683	48,204	46,539	51,638	52,272	55,662	256,676	57,845	320,350	181,334	-	180,990	1,283,193
Federal	190,339	401,544	365,049	173,911	8,497	262,496	2,506,394	372,982	1,795,264	-	-	4,079,556	10,156,032
Other State	49,074	823,964	827,921	4,280,903	2,123,233	1,541,565	1,887,243	1,503,975	2,111,252	1,692,407	1,174,747	896,960	18,913,243
Other Local	241,260	438,719	2,743,830	1,081,278	2,363,177	2,882,945	2,400,222	1,689,530	2,051,706	3,215,641	1,170,120	908,572	21,186,998
Transfers In	-	-	-	-	-	-	-	-	-	-	-	75,000	75,000
Deferrals - Principal Apportionment	15,965,651	9,047,291	-	-	-	-	-	-	-	-	-	-	25,012,942
Deferrals - Other State Revenues	-	461,716	-	-	-	-	-	-	-	-	-	-	461,716
Other Prior Year Receivables	2,059,511	1,913,569	(299,335)	3,396,094	(639,005)	689,420	(130,330)	1,820,587	-	-	-	-	8,810,509
Temporary Loan Inflows	-	-	-	-	-	-	-	-	5,000,000	-	5,000,000	-	10,000,000
Other Cash Inflows	382,677	(9,320)	(9,011)	24,062	11,532	2,510	5,092	34,515	-	-	-	-	442,058
TRANs Related Receipts	19,150,669	-	-	-	-	-	(220,611)	-	-	-	-	-	18,930,058
Total Receipts	40,104,312	14,014,476	6,656,312	10,281,383	8,447,293	31,846,857	21,919,714	6,585,998	12,240,033	24,486,410	13,202,512	29,271,043	219,056,344
Disbursements													
Salaries & Benefits	3,233,223	10,622,151	12,635,364	13,014,797	13,222,086	13,629,719	13,212,896	14,447,982	13,728,386	13,511,854	13,844,231	13,003,730	148,106,419
Commercial Warrant Exp	(518,774)	1,581,497	2,427,072	3,131,948	1,224,826	2,585,738	2,293,362	1,992,690	2,540,190	2,348,032	2,809,970	5,095,886	27,512,437
Transfers Out	150,385	178,825	(43,742)	58,430	(30,629)	29,091	(23,791)	(34,020)	(494)	17,440	46,930	112,842	461,268
Prior Year Payables	7,648,314	155,345	(2,000,426)	220,885	-	1,590,575	(1,765,483)	(4,894)	-	-	-	-	5,844,315
Other Cash Outflows	63,219	(1,992,766)	1,465,933	(412,285)	(166,956)	561,788	(625,593)	973,883	-	-	-	-	(132,777)
Temporary Loan Outflows	1,494,312	481,264	-	-	-	-	-	-	-	5,000,000	-	3,946,094	10,921,670
TRANs Related Disbursements	-	-	-	-	-	-	19,000,000	-	-	-	-	-	19,000,000
Total Disbursements	12,070,679	11,026,315	14,484,200	16,013,775	14,249,328	18,396,911	32,091,391	17,375,642	16,268,082	20,877,327	16,701,130	22,158,552	211,713,331
Ending Cash Balance	29,687,797	32,675,959	24,848,071	19,115,679	13,313,644	26,763,590	16,591,913	5,802,270	1,774,220	5,383,304	1,884,686	8,997,177	8,997,177

2013-2014 GENERAL FUND CASH FLOW (PROJECTED)													
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Total
Beginning Cash Balance	8,997,177	32,111,356	27,982,671	23,250,403	13,862,532	6,178,978	20,768,835	20,476,033	12,454,939	11,957,936	6,334,410	5,059,788	8,997,177
Receipts													
State Aid Apportionment	1,686,974	1,686,974	7,453,299	3,036,554	3,036,554	3,036,554	7,453,299	2,223,432	5,891,161	975,071	452,109	4,416,743	41,348,724
Property Taxes	110,291	132,639	(832,251)	(339,291)	121,040	21,798,561	10,670,681	(262,591)	25,281	17,519,857	5,916,909	4,890,602	59,751,728
Other Revenue Limit Sources	6,779	9,980	93,037	94,441	9,421	9,336	157,676	34,433	224,682	288,966	86,118	397,315	1,412,183
Federal	35,620	39,687	520,212	11,284	35,356	1,389,536	241,273	2,438,555	1,582,691	34,658	51,576	2,695,873	9,076,320
Other State	430,711	1,424,665	2,087,272	1,669,840	2,645,279	1,669,840	2,958,978	1,807,704	1,583,666	1,876,960	1,254,092	690,899	20,099,907
Other Local	573,481	658,662	1,935,599	2,143,780	2,032,347	1,915,739	1,895,835	1,526,510	2,059,699	2,725,468	1,379,686	1,956,522	20,803,329
Transfers In	31,767	17,472	-	-	-	-	-	-	-	-	-	761	50,000
Deferrals - Principal Apportionment	6,551,144	3,596,588	-	-	-	-	-	-	-	-	-	-	10,147,732
Deferrals - Other State Revenues	1,908,539	1,446,823	-	-	-	-	-	-	-	-	-	-	3,355,362
Other Prior Year Receivables	2,074,862	32,280	470,503	1,250,069	470,503	470,503	-	-	-	-	-	-	4,768,720
Temporary Loan Inflows	-	-	-	-	-	-	-	-	5,000,000	-	7,000,000	-	12,000,000
Other Cash Inflows	-	-	-	-	-	-	-	-	-	-	-	-	-
TRANs Related Receipts	15,176,122	-	-	-	-	-	-	-	-	-	-	-	15,176,122
Total Receipts	28,586,289	9,045,770	11,727,671	7,866,678	8,350,499	30,290,069	23,377,741	7,768,043	16,367,180	23,420,980	16,140,491	15,048,715	197,990,127
Disbursements													
Salaries & Benefits	4,107,727	10,864,213	13,375,121	13,685,906	13,614,711	13,435,131	13,542,570	13,294,615	13,836,642	13,660,958	13,982,255	12,783,288	150,183,137
Commercial Warrant Exp	158,316	1,691,521	2,455,337	3,406,998	2,370,686	2,172,517	2,465,082	2,480,894	3,029,283	2,692,563	3,326,716	5,641,418	31,891,333
Transfers Out	3,629	17,503	28,262	161,644	48,656	92,563	38,309	13,627	(1,743)	66,401	106,142	89,882	664,876
Prior Year Payables	1,202,438	601,219	601,219	-	-	-	-	-	-	-	-	-	2,404,876
Other Cash Outflows	-	-	-	-	-	-	-	-	-	-	-	-	-
Temporary Loan Outflows	-	-	-	-	-	-	-	-	-	5,000,000	-	-	5,000,000
TRANs Related Disbursements	-	-	-	-	-	-	7,624,583	-	-	7,624,583	-	-	15,249,167
Total Disbursements	5,472,109	13,174,456	16,459,939	17,254,549	16,034,054	15,700,212	23,670,544	15,789,137	16,864,183	29,044,506	17,415,113	18,514,588	205,393,389
Ending Cash Balance	32,111,356	27,982,671	23,250,403	13,862,532	6,178,978	20,768,835	20,476,033	12,454,939	11,957,936	6,334,410	5,059,788	1,593,914	1,593,914

ALTERNATIVE CASH RESOUCES (75% OF CASH BALANCE)				
Fund Type	Fund Purpose	Actual as of 6/30/12	Projected as of 6/30/13	Projected as of 04/30/14*
Special Revenue	Adult Education	225,916	750,396	750,396
Special Revenue	Deferred Maintanence	245,513	326,438	326,438
Special Revenue	Special Reserve for Non-Capital Outlay	12,476	12,512	12,512
Capital Projects	Capital Facilities	2,858,503	1,637,969	1,637,969
Capital Projects	Special Reserve for Capital Outlay	8,804,607	4,053,698	4,053,698
Trust and Agency	Self-Insurance Fund	1,208,950	1,132,529	1,132,529
Special Revenue	Self-Insurance Fund	2,341,704	2,133,839	2,133,839
Special Revenue	Cafeteria	238,999	170,643	170,643
Capital Projects	County School Facilities	49,494,044	38,585,594	38,585,594
Total		65,430,713	48,803,616	48,803,616

* Represents the maturity date

Ramona Unified School District

2012-2013 GENERAL FUND CASH FLOW (ACTUAL AND PROJECTED)

	Jul (Act)	Aug (Act)	Sep (Act)	Oct (Act)	Nov (Act)	Dec (Act)	Jan (Act)	Feb (Act)	Mar (Act)	Apr (Act)	May (Proj)	Jun (Proj)	Total
Beginning Cash Balance	551,946	3,639,690	4,168,900	2,256,195	5,149,681	3,179,643	2,303,604	3,055,525	1,674,752	1,970,292	2,052,204	86,732	551,946
Receipts													
State Aid Apportionment	-	183,645	1,156,387	441,739	817,461	1,578,902	817,461	579,337	333,171	170,444	-	6,210,639	12,289,186
Property Taxes	34,407	250,287	169,344	194,283	576,549	4,811,697	2,504,897	263,735	535,675	3,507,349	2,076,314	514,095	15,438,630
Other Revenue Limit Sources	-	11,346	-	20,779	9,966	9,759	63,146	9,793	9,783	84,572	-	101,725	320,869
Federal	7,338	31,191	15,927	40,512	113,209	428,160	574,417	142,641	(294,443)	184,407	-	1,058,240	2,301,600
Other State	-	160,484	209,972	1,103,412	365,100	56,272	955,336	395,990	565,930	569,032	299,351	244,650	4,925,529
Other Local	6,913	157,453	410,825	432,761	534,684	660,796	519,015	336,583	356,183	255,932	76,535	423,706	4,171,385
Transfers In	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferrals - Principal Apportionment	3,641,065	2,408,809	-	-	-	-	-	-	-	-	-	-	6,049,874
Deferrals - Other State Revenues	616,169	84,352	-	-	-	-	-	-	-	-	-	-	700,521
Other Prior Year Receivables	(4,198,156)	(2,473,789)	8,141	6,815,939	-	-	160,426	54,164	443,153	-	-	-	809,878
Temporary Loan Inflows	-	-	-	4,897,519	-	-	2,788	999,197	2,499,150	-	-	-	8,398,653
Other Cash Inflows	5,196,840	3,022,899	206,454	(6,620,520)	360,884	263,197	(625,046)	49,969	15,840	(65,263)	-	-	1,805,254
TRANs Related Receipts	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Receipts	5,304,577	3,836,677	2,177,049	7,326,425	2,777,854	7,808,783	4,972,439	2,831,409	4,464,440	4,706,472	2,452,200	8,553,054	57,211,379
Disbursements													
Salaries & Benefits	1,046,983	1,216,659	3,840,364	3,655,572	4,027,736	3,718,276	3,628,064	3,745,861	3,673,014	3,866,429	3,604,638	3,526,009	39,549,604
Commercial Warrant Exp	195,385	702,818	489,949	682,632	186,310	662,976	633,855	499,711	518,745	417,978	631,723	702,845	6,324,928
Transfers Out	-	-	-	4,649	-	-	9,326	-	-	-	-	-	13,975
Prior Year Payables	626,679	503,524	660	(805)	(5)	(528)	477	2,573	(27)	(1,069)	-	-	1,131,477
Other Cash Outflows	347,786	(415,528)	(241,219)	90,891	(42,698)	79,761	(51,204)	(35,963)	(22,831)	60,672	-	-	(230,334)
Temporary Loan Outflows	-	1,299,994	-	-	576,549	4,224,337	-	-	-	280,551	181,311	3,212,550	9,775,293
TRANs Related Disbursements	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Disbursements	2,216,833	3,307,466	4,089,754	4,432,939	4,747,892	8,684,822	4,220,518	4,212,182	4,168,901	4,624,560	4,417,672	7,441,404	56,564,943
Ending Cash Balance	3,639,690	4,168,900	2,256,195	5,149,681	3,179,643	2,303,604	3,055,525	1,674,752	1,970,292	2,052,204	86,732	1,198,382	1,198,382

2013-2014 GENERAL FUND CASH FLOW (PROJECTED)

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Total
Beginning Cash Balance	1,198,382	6,938,946	7,642,860	6,402,550	3,819,619	2,243,300	4,836,843	4,224,386	2,751,507	2,004,141	3,531,222	1,477,825	1,198,382
Receipts													
State Aid Apportionment	511,810	511,810	2,130,936	921,258	921,258	921,258	2,130,936	674,566	1,657,000	295,826	137,165	1,209,679	12,023,504
Property Taxes	26,866	193,115	213,309	205,651	504,761	4,896,984	2,148,580	251,698	536,023	4,002,240	1,519,075	940,326	15,438,630
Other Revenue Limit Sources	(2,829)	(3,614)	(4,890)	(96,996)	(5,477)	(5,494)	(12,982)	(3,441)	52,254	134,045	1,523	199,088	251,186
Federal	1,032	2,343	7,306	6,546	112,357	233,172	5,721	629,684	347,998	4,384	1,082	668,758	2,020,383
Other State	48,058	299,890	746,696	313,152	683,159	313,152	635,699	862,975	399,245	499,759	385,181	271,383	5,458,348
Other Local	128,010	186,138	258,119	488,675	494,896	212,966	455,702	345,519	349,394	217,483	108,332	473,069	3,718,301
Transfers In	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferrals - Principal Apportionment	3,428,894	1,228,531	-	-	-	-	-	-	-	-	-	-	4,657,425
Deferrals - Other State Revenues	1,487,711	475,766	-	-	-	-	-	-	-	-	-	-	1,963,477
Other Prior Year Receivables	239,528	-	134,992	330,486	134,992	134,992	-	-	-	-	-	-	974,991
Temporary Loan Inflows	-	-	-	-	-	-	-	-	-	2,389,391	-	-	2,389,391
Other Cash Inflows	-	-	-	-	-	-	-	-	-	-	-	-	-
TRANs Related Receipts	3,604,260	-	-	-	-	-	-	-	-	-	-	-	3,604,260
Total Receipts	9,473,339	2,893,979	3,486,468	2,168,772	2,845,947	6,707,031	5,363,656	2,761,001	3,341,914	7,543,127	2,152,358	3,762,304	52,499,895
Disbursements													
Salaries & Benefits	904,699	1,197,922	3,622,680	3,576,029	3,768,037	3,583,620	3,502,956	3,662,054	3,562,239	3,613,493	3,587,163	3,510,770	38,091,662
Commercial Warrant Exp	445,701	550,955	662,910	1,175,674	654,229	529,868	655,965	571,825	527,042	585,360	618,593	735,015	7,713,137
Transfers Out	-	-	-	-	-	-	-	-	-	-	-	321,138	321,138
Prior Year Payables	882,375	441,187	441,187	-	-	-	-	-	-	-	-	-	1,764,749
Other Cash Outflows	-	-	-	-	-	-	-	-	-	-	-	-	-
Temporary Loan Outflows	1,500,000	-	-	-	-	-	-	-	-	-	-	-	1,500,000
TRANs Related Disbursements	-	-	-	-	-	-	1,817,192	-	-	1,817,192	-	-	3,634,385
Total Disbursements	3,732,775	2,190,064	4,726,778	4,751,704	4,422,266	4,113,488	5,976,113	4,233,879	4,089,281	6,016,045	4,205,756	4,566,923	53,025,071
Ending Cash Balance	6,938,946	7,642,860	6,402,550	3,819,619	2,243,300	4,836,843	4,224,386	2,751,507	2,004,141	3,531,222	1,477,825	673,207	673,207

ALTERNATIVE CASH RESOUCES (75% OF CASH BALANCE)

Fund Type	Fund Purpose	Actual as of 6/30/12	Projected as of 6/30/13	Projected as of 04/30/14*
Special Revenue	Cafeteria	277,343	239,418	239,418
Capital Projects	Capital Facilities	980,737	697,185	697,185
Trust and Agency	Self-Insurance Fund	84,475	136,351	136,351
Total		1,342,555	1,072,955	1,072,955

* Represents the maturity date

San Dieguito Union High School District

2012-2013 GENERAL FUND CASH FLOW (ACTUAL AND PROJECTED)	Jul (Act)	Aug (Act)	Sep (Act)	Oct (Act)	Nov (Act)	Dec (Act)	Jan (Act)	Feb (Act)	Mar (Act)	Apr (Proj)	May (Proj)	Jun (Proj)	Total
Beginning Cash Balance	11,412,541	28,051,048	23,862,138	18,085,640	11,144,830	6,559,042	26,672,034	21,883,154	14,774,636	10,002,458	14,455,414	13,565,716	11,412,541
Receipts													
State Aid Apportionment	-	(2,440)	(10,537)	(3,261)	-	(7,898)	(2,414)	(1,810)	(1,041)	(533)	-	2,404,936	2,375,002
Property Taxes	38,662	934,408	699,416	893,265	2,703,475	27,443,913	11,430,017	1,215,360	2,470,943	22,494,218	7,472,403	1,039,359	78,835,440
Other Revenue Limit Sources	-	-	-	-	-	-	111,428	-	-	101,219	-	179,346	391,994
Federal	-	4,179	144,569	375,659	11,297	61,010	837,530	8,428	578,290	-	-	1,794,168	3,815,129
Other State	-	(110,030)	(62,647)	817,664	420,469	71,126	560,964	127,437	731,480	641,460	379,257	180,154	3,757,333
Other Local	-	371,433	833,102	613,876	584,658	964,519	718,960	723,848	583,915	615,216	882,147	1,031,016	7,922,691
Transfers In	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferrals - Principal Apportionment	210,717	(8,816)	-	-	-	-	-	-	-	-	-	-	201,901
Deferrals - Other State Revenues	-	298,245	-	-	-	-	-	-	-	-	-	-	298,245
Other Prior Year Receivables	549,456	552,747	369,177	1,417,056	54,153	635,762	8,528	1,155	-	-	-	-	3,588,033
Temporary Loan Inflows	-	127,895	-	-	58,738	-	-	-	-	-	-	115,000	301,633
Other Cash Inflows	948,245	139,059	129,925	(932,353)	(301)	113	(388)	(7,753)	8,327	-	-	-	284,874
TRANs Related Receipts	18,439,551	-	-	-	-	-	-	-	-	-	-	-	18,439,551
Total Receipts	20,186,630	2,306,680	2,103,005	3,181,906	3,832,488	29,168,545	13,664,624	2,066,665	4,371,914	23,851,581	8,733,807	6,743,979	120,211,825
Disbursements													
Salaries & Benefits	1,372,758	6,063,658	7,390,991	7,505,154	7,556,409	7,885,365	7,729,304	7,471,487	7,767,690	7,520,386	7,437,585	8,594,849	84,295,637
Commercial Warrant Exp	204,926	919,110	721,307	1,855,233	958,692	736,742	1,315,757	1,758,371	1,391,699	1,489,921	2,184,562	2,315,320	15,851,642
Transfers Out	-	-	-	449,434	-	137,326	6,843	-	39,108	1,124,956	1,357	161,399	1,920,423
Prior Year Payables	2,009,677	71,441	16,049	3,792	(1,700)	362,301	(1,636)	(1,650)	29,368	-	-	-	2,487,642
Other Cash Outflows	(84,238)	(558,620)	(248,845)	309,103	(95,125)	(86,182)	139,874	(53,025)	(83,773)	-	-	-	(760,830)
Temporary Loan Outflows	45,000	-	-	-	-	20,000	-	-	-	-	-	-	65,000
TRANs Related Disbursements	-	-	-	-	-	-	9,263,363	-	-	9,263,363	-	-	18,526,725
Total Disbursements	3,548,124	6,495,590	7,879,503	10,122,716	8,418,276	9,055,552	18,453,504	9,175,183	9,144,092	19,398,625	9,623,505	11,071,568	122,386,239
Ending Cash Balance	28,051,048	23,862,138	18,085,640	11,144,830	6,559,042	26,672,034	21,883,154	14,774,636	10,002,458	14,455,414	13,565,716	9,238,127	9,238,127

2013-2014 GENERAL FUND CASH FLOW (PROJECTED)	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Total
Beginning Cash Balance	9,238,127	21,934,210	17,511,288	11,546,773	4,876,668	165,575	20,391,640	16,244,944	11,616,987	7,143,118	14,664,299	14,084,375	9,238,127
Receipts													
State Aid Apportionment	-	-	600,000	-	-	-	600,000	-	600,000	-	-	600,000	2,400,000
Property Taxes	73,855	742,645	857,345	994,107	2,400,921	28,000,153	9,840,187	1,202,619	2,516,558	22,789,622	7,581,736	2,921,556	79,921,303
Other Revenue Limit Sources	-	-	-	-	-	-	-	-	120,251	101,219	-	170,460	391,931
Federal	-	35,075	159,135	9,987	(59,696)	296,932	35,662	1,193,789	333,264	23,019	470	1,523,031	3,550,668
Other State	(1,042,381)	(306,620)	202,067	202,067	559,789	202,067	636,125	641,464	202,067	641,639	329,701	536,672	2,804,659
Other Local	240,631	874,878	1,131,531	1,079,310	740,622	338,576	610,763	831,448	836,650	614,930	907,667	1,004,110	9,211,116
Transfers In	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferrals - Principal Apportionment	1,058,795	418,880	-	-	-	-	-	-	-	-	-	-	1,477,675
Deferrals - Other State Revenues	1,303,386	1,005,141	-	-	-	-	-	-	-	-	-	-	2,308,527
Other Prior Year Receivables	729,813	290,242	290,242	549,373	290,242	290,242	-	-	-	-	-	-	2,440,153
Temporary Loan Inflows	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Cash Inflows	-	-	-	-	-	-	-	-	-	-	-	-	-
TRANs Related Receipts	13,403,790	-	-	-	-	-	-	-	-	-	-	-	13,403,790
Total Receipts	15,767,888	3,060,240	3,240,320	2,834,845	3,931,878	29,127,971	11,722,737	3,869,320	4,608,790	24,170,429	8,819,574	6,755,830	117,909,822
Disbursements													
Salaries & Benefits	1,448,820	5,947,816	7,427,290	7,427,767	7,458,312	7,948,790	7,672,625	7,406,677	7,715,104	7,484,511	7,401,945	8,552,128	83,891,784
Commercial Warrant Exp	539,729	993,717	1,188,551	1,890,813	1,184,294	953,116	1,461,760	1,074,658	1,359,613	1,415,434	1,992,649	2,172,070	16,226,402
Transfers Out	-	-	47,366	186,370	364	-	-	15,943	7,943	1,014,254	4,904	1,049,625	2,326,770
Prior Year Payables	1,083,257	541,629	541,629	-	-	-	-	-	-	-	-	-	2,166,514
Other Cash Outflows	-	-	-	-	-	-	-	-	-	-	-	-	-
Temporary Loan Outflows	-	-	-	-	-	-	-	-	-	-	-	-	-
TRANs Related Disbursements	-	-	-	-	-	-	6,735,049	-	-	6,735,049	-	-	13,470,097
Total Disbursements	3,071,805	7,483,161	9,204,835	9,504,950	8,642,970	8,901,906	15,869,433	8,497,278	9,082,659	16,649,248	9,399,497	11,773,824	118,081,568
Ending Cash Balance	21,934,210	17,511,288	11,546,773	4,876,668	165,575	20,391,640	16,244,944	11,616,987	7,143,118	14,664,299	14,084,375	9,066,381	9,066,381

ALTERNATIVE CASH RESOUCES (75% OF CASH BALANCE)

Fund Type	Fund Purpose	Actual as of 6/30/12	Projected as of 6/30/13	Projected as of 04/30/14*
Special Revenue	Adult Education	7,039	9,182	46,682
Special Revenue	Cafeteria	529,749	562,094	494,594
Special Revenue	Deferred Maintanence	2,340	2,349	2,349
Special Revenue	Pupil Transportation Equipment	25,433	34,080	34,080
Special Revenue	Special Reserve for Non-Capital Outlay	1,826,952	1,832,201	1,837,451
Capital Projects	Capital Facilities	1,276,758	722,582	524,582
Capital Projects	County School Facilities	795,683	797,985	797,985
Capital Projects	Special Reserve for Capital Outlay	20,002	20,059	20,059
Total		4,483,957	3,980,532	3,757,781

* Represents the maturity date

APPENDIX D

2013-14 CASH FLOW PROJECTIONS OF THE COUNTY

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COUNTY OF SAN DIEGO

GENERAL FUND MONTHLY CASH FLOW SUMMARY

FISCAL YEAR 2012/2013 ESTIMATED

(in thousands)

	Jul Actual	Aug Actual	Sep Actual	Oct Actual	Nov Actual	Dec Actual	Jan Actual	Feb Actual	Mar Actual	Apr Actual	May Estimate	Jun Estimate	Total
1 Beginning Cash Balance	740,777												740,777
Revenue Categories:													
2 Taxes Current Property	0	5,823	4,321	5,285	16,301	179,425	77,921	7,825	15,879	148,314	36,850	15,119	513,063
3 Taxes Other Than Current Secured	5,733	7,090	6,161	6,916	6,381	7,076	161,735	5,531	4,194	8,288	150,967	11,192	381,267
Licenses, Permits & Franchises	2,701	3,953	2,491	2,714	3,749	3,918	2,740	4,897	3,146	3,677	3,586	3,920	41,492
Fines, Forfeitures & Penalties	1,028	2,007	2,395	5,044	3,317	1,243	2,178	2,871	2,278	3,601	8,663	16,173	50,796
Revenue Use - Money & Property	3,174	855	734	1,453	716	611	1,227	1,291	894	1,377	938	528	13,800
Intergovernmental Revenue	62,678	162,240	74,676	187,993	122,557	100,463	182,088	102,431	137,086	141,607	147,890	199,679	1,621,388
Charges for Current Services	21,898	26,232	19,437	20,849	28,677	18,830	25,135	18,175	24,833	29,962	30,352	24,750	289,130
Miscellaneous Revenue	2,298	1,311	1,989	3,214	936	10,007	2,014	1,264	1,811	1,615	3,712	5,211	35,382
Other Financing Sources	30,597	21,720	24,141	18,078	17,665	26,507	18,246	21,915	31,553	16,767	16,594	19,277	263,059
Total Revenues	130,107	231,231	136,344	251,546	200,300	348,080	473,284	166,201	221,674	355,208	399,553	295,850	3,209,375
4 Teeter Receipts	20,993	3,945	6,391	6,457	5,658	8,447	3,944	2,048	2,111	1,876	4,621	2,856	69,347
Short Term Borrowing (Trans)	50,000												50,000
Total Receipts	201,099	235,176	142,735	258,003	205,958	356,526	477,227	168,249	223,785	357,084	404,173	298,706	3,328,722
Expenditure Categories:													
5 Salaries & Employee Benefits	506,185	121,319	82,124	82,157	82,670	83,622	82,872	83,352	121,565	84,343	88,073	88,159	1,506,443
Services and Supplies	92,697	93,574	76,544	117,017	82,150	80,795	85,826	102,241	85,286	112,254	88,955	97,052	1,114,391
6 Other Charges	76,818	43,082	53,447	37,584	38,003	45,032	30,110	38,534	53,353	47,636	38,011	38,913	540,524
Fixed Assets - Equipment	1,423	293	223	758	288	485	172	480	2,070	514	244	440	7,391
Operating Transfers	3,382	579	15,818	13,438	6,513	3,427	10,716	3,405	10,073	14,751	10,053	12,936	105,091
Total Expenditures	680,506	258,847	228,157	250,955	209,624	213,361	209,697	228,012	272,347	259,498	225,336	237,500	3,273,840
Teeter Disbursements												68,000	68,000
Short-Term Borrowing (Trans)							30,000			20,000			50,000
Total Disbursements	680,506	258,847	228,157	250,955	209,624	213,361	239,697	228,012	272,347	279,498	225,336	305,500	3,391,840
General Fund Month Ending Cash	261,371	237,700	152,278	159,326	155,660	298,825	536,356	476,593	428,032	505,617	684,455	677,660	677,660
Tobacco Tax Settlement Ending Cash	8,098	8,098	8,098	8,107	8,107	8,107	8,114	8,114	8,114	8,121	8,121	8,121	8,121
Cash Balance Including Tobacco	269,469	245,798	160,376	167,433	163,767	306,932	544,470	484,707	436,145	513,738	692,576	685,781	685,781

Footnotes:

1 Actual beginning cash balance includes Tobacco Settlement Trust of $8 million. The Tobacco Settlement Trust fund represents amounts that are available to the General Fund, however, to facilitate tracking of these balances, they are maintained in a separate fund.

2 Property tax payments are received in December and April. The County participates in the alternative method of secured property tax apportionment (the TEETER Plan) available under the Revenue and Taxation Code of the State of California.

3 VLF- in- lieu payments are apportioned each January and May.

4 Teeter cash receipts of $75 million are reflected in the General Fund because the County will continue to internally fund the Teeter Plan.

5 July includes $337.4 million for Retirement Advances and OPEB, and $80.8 million for POBs. August and March have three pay periods. The third pay period does not include health benefits.

6 July includes $43.3 million annual lease payment.

COUNTY OF SAN DIEGO
GENERAL FUND MONTHLY CASH FLOW SUMMARY
FISCAL YEAR 2013/2014 EST
(in thousands)

	Jul Estimate	Aug Estimate	Sep Estimate	Oct Estimate	Nov Estimate	Dec Estimate	Jan Estimate	Feb Estimate	Mar Estimate	Apr Estimate	May Estimate	Jun Estimate	Total
1 Beginning Cash Balance	685,781												685,781
Revenue Categories:													
2 Taxes Current Property	-	5,882	4,381	5,184	17,069	183,503	75,819	7,433	14,921	150,200	44,510	14,711	523,615
3 Taxes Other Than Current Secured	8,460	6,417	7,359	6,381	6,225	6,007	161,220	5,372	4,302	6,208	155,554	9,451	382,956
Licenses, Permits & Franchises	2,392	3,733	2,557	2,444	3,580	3,248	3,574	3,821	3,142	6,418	3,909	3,479	42,297
Fines, Forfeitures & Penalties	1,467	1,948	1,941	3,268	4,273	1,750	3,036	4,162	3,996	4,174	5,518	14,648	50,182
Revenue Use - Money & Property	2,804	1,100	870	1,231	572	509	1,010	765	586	1,188	871	539	12,045
Intergovernmental Revenue	82,354	169,790	103,689	183,229	130,389	165,900	173,348	155,470	166,243	172,419	151,666	211,319	1,865,816
Charges for Current Services	24,641	24,161	18,170	23,038	30,818	25,318	27,654	23,269	25,224	36,229	25,897	20,768	305,188
Miscellaneous Revenue	1,191	1,176	2,440	2,622	1,645	7,231	1,687	1,405	1,519	2,492	2,774	3,635	29,816
Other Financing Sources	27,156	21,834	25,038	18,849	18,121	27,411	18,868	22,486	32,134	21,545	20,504	16,178	270,123
Total Revenues	150,466	236,040	166,446	246,246	212,690	420,878	466,217	224,183	252,067	400,872	411,203	294,730	3,482,038
4 Teeter Receipts	18,107	3,192	8,908	6,189	5,398	5,047	4,114	2,091	2,338	4,465	2,627	2,524	65,000
Short Term Borrowing (Trans)	60,000												60,000
Total Receipts	228,574	239,232	175,354	252,435	218,088	425,925	470,330	226,274	254,405	405,338	413,830	297,254	3,607,038
Expenditure Categories:													
5 Salaries & Employee Benefits	558,024	132,119	89,434	89,471	90,029	91,066	132,386	90,772	90,249	91,851	95,913	96,007	1,647,321
Services and Supplies	104,114	94,362	96,319	112,467	90,934	89,102	102,000	97,286	103,098	110,340	105,250	111,624	1,216,896
6 Other Charges	79,545	40,594	55,194	39,294	40,024	55,194	40,854	40,594	55,194	53,854	40,338	40,524	581,204
Fixed Assets - Equipment	807	506	579	738	381	400	569	642	646	308	470	464	6,510
Operating Transfers	14,898	12,507	17,105	15,182	21,736	12,971	11,491	15,274	13,765	13,639	13,463	9,751	171,781
Total Expenditures	757,388	280,088	258,631	257,152	243,105	248,732	287,300	244,568	262,952	269,992	255,434	258,370	3,623,711
Teeter Disbursements												65,000	65,000
Short-Term Borrowing (Trans)							36,000			24,000			60,000
Total Disbursements	757,388	280,088	258,631	257,152	243,105	248,732	323,300	244,568	262,952	293,992	255,434	323,370	3,748,711
Month End Cash Balance	156,966	116,110	32,833	28,116	3,099	180,292	327,322	309,029	300,481	411,827	570,223	544,108	544,108

Footnotes:

1 Actual beginning cash balance includes Tobacco Settlement Trust of $8 million. The Tobacco Settlement Trust fund represents amounts that are available to the General Fund, however, to facilitate tracking of these balances, they are maintained in a separate fund.

2 Property tax payments are received in December and April. The County participates in the alternative method of secured property tax apportionment (the TEETER Plan) available under the Revenue and Taxation Code of the State of California.

3 VLF- in- lieu payments are apportioned each January and May.

4 Teeter cash receipts of $65 million are reflected in the General Fund because the County will continue to internally fund the Teeter Plan.

5 July includes $379.5 million for Retirement Advances and OPEB, and $81.4 million for POBs. August and January have three pay periods. The third pay period does not include health benefits.

6 July includes $39.4 million annual lease payment.

APPENDIX E

SCHEDULE OF PLEDGED REVENUE DEPOSITS

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Schedule of Pledged Revenue Deposits

Participant	Note Amount	Term Months	*First Repayment Pledge Month*			*Subsequent Repayment Pledge Month(s)*		
			Month	Percent	$ Amount*	Month	Percent	$ Amount*
Series A								
County of San Diego	$ 60,000,000	12	January	60%	$ 36,718,000	April	40%	$ 24,478,667
Series B-1								
Cardiff School District	345,000	7	January	100%	$ 349,025	April	0%	$ -
Encinitas Union School District	4,155,000	7	January	100%	$ 4,203,475	April	0%	$ -
La Mesa-Spring Valley School District	6,490,000	7	January	100%	$ 6,565,717	April	0%	$ -
National School District	2,060,000	7	January	100%	$ 2,084,033	April	0%	$ -
Subtotal	**$ 13,050,000**							
Series B-2								
Carlsbad Unified School District	9,240,000	10	January	50%	$ 4,696,743	April	50%	$ 4,696,743
Fallbrook Union High School District	1,095,000	10	January	50%	$ 556,595	April	50%	$ 556,595
Grossmont Union High School District	15,000,000	10	January	50%	$ 7,624,583	April	50%	$ 7,624,583
Ramona Unified School District	3,575,000	10	January	50%	$ 1,817,192	April	50%	$ 1,817,192
San Dieguito Union High School District	13,250,000	10	January	50%	$ 6,735,049	April	50%	$ 6,735,049
Subtotal	**$ 42,160,000**							
Total Par Amount:	**$ 115,210,000**							

*Inclusive of interest. Actual amounts deposited in the Payment Accounts may be reduced by the anticipated investment earning to be received under an investment agreement, if any, through the Maturity Date of such investment agreement, if any.

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APPENDIX F

FORM OF BOND COUNSEL APPROVING OPINION

July 1, 2013

Participants identified
in the Trust Agreements

County of San Diego and San Diego County School Districts
Tax and Revenue Anticipation Note Program, Note Participations
Series 2013A, Series 2013B-1 and Series 2013B-2
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the County of San Diego (the "County"), on behalf of itself and various school districts (the "Districts" and together with the County, the "Participants"), in connection with the execution and delivery of $60,000,000 aggregate principal amount of the County of San Diego and San Diego County School Districts Tax and Revenue Anticipation Note Program, Note Participations, Series 2013A, $13,050,000 aggregate principal amount of the County of San Diego and San Diego County School Districts Tax and Revenue Anticipation Note Program, Note Participations, Series 2013B-1, and $42,160,000 aggregate principal amount of the County of San Diego and San Diego County School Districts Tax and Revenue Anticipation Note Program, Note Participations, Series 2013B-2 (collectively, the "Note Participations"), evidencing and representing proportionate and undivided interests in (i) the tax and revenue anticipation notes (the "Notes") issued by the County on behalf of itself and various school districts identified in the Trust Agreements (as hereinafter defined) and identified in the Official Statement, dated June 4, 2013 (the "Official Statement"), relating to the Note Participations, and (ii) the debt service payments on the Notes to be made by the Participants. The Note Participations are issued pursuant to three separate trust agreements, each dated as of July 1, 2013, between Wilmington Trust, N.A. (the "Trustee") and the Participants which are a party to the respective trust agreements (the "Trust Agreements"). Each Note is issued pursuant to and by authority of a resolution of each respective Participant, each passed and adopted (collectively, the "Resolutions") under and by authority of Article 7.6, Chapter 4, Part 1, Division 2, Title 5 of the California Government Code, and designated the respective Participant's "2013-2014 Tax and Revenue Anticipation Note."

In such connection, we have reviewed the Trust Agreements, the Resolutions, the Notes, opinions of counsel to the County and the Districts, the Trustee, certificates of the County and the Districts regarding tax and other matters (the "Certificates"), certificates of the Trustee and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the Note Participations has concluded with their execution and delivery, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Participants. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Resolutions, the Trust Agreements and the Certificates, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest evidenced and represented by the Note Participations to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Resolutions, the Notes, the Trust Agreements, the Certificates, and evidenced and represented by the Note Participations, and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against public entities such as the Participants in the State of California. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), arbitration, judicial reference, choice of law, choice of forum, choice of venue, waiver or severability provisions contained in the foregoing documents. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Notes or the Note Participations and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. Each Note constitutes the valid and binding obligation of the respective issuing Participant. The principal of and interest on each Note are payable from the Pledged Revenues (as that term is defined in the respective Resolution) of the issuing Participant and, to the extent not so paid, are payable from any other moneys of such Participant lawfully available therefor.

2. The Resolutions have been duly adopted by the Participants and each constitutes a valid and binding obligation of the respective Participant.

3. The Trust Agreements have been duly executed and delivered by, and constitutes the valid and binding obligations of, the respective Participants which are a party thereto.

4. The Note Participations, upon execution and delivery thereof by the Trustee, are entitled to the benefits of the Trust Agreements.

5. Interest on the Notes paid by the Participants and received by the registered owners of the Note Participations is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. The amount treated as interest on the Notes represented by the Note Participations and excluded from gross income may depend on the taxpayer's election under Internal Revenue Service Notice 94-84. Interest is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that it is included in adjusted current earnings when calculating corporate

alternative minimum taxable income. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the accrual or receipt of such interest represented by, the Note Participations.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

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APPENDIX G

PARTICIPANT NOTE AMOUNTS AND COVERAGE ANALYSIS

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County of San Diego and San Diego County School Districts
Tax and Revenue Anticipation Note Program
Note Participations, Series 2013

Note Amounts and Coverage Analysis

Participant	Note Amount	Note Terms (Months)	Base Amounts (1): 2013-14 Projected Cash Receipts (3)	Base Amounts (1): 2013-14 Cash Balance at Maturity	Base Amounts (1): 2013-14 Alt. Cash at Maturity	TRANS as % of 2013-14 Cash Receipts	Cash Coverage Factors (2): 2013-14 Projected Cash Receipts (3)	Cash Coverage Factors (2): 2013-14 Cash Balance at Maturity	Cash Coverage Factors (2): 2013-14 & Alt. Cash
Series A									
County of San Diego	$60,000,000	12	$3,547,038,000	$544,108,000	$265,990,000	1.692%	60.12 x	10.07 x	14.50 x
Series B-1									
Cardiff School District	345,000	7	4,432,798	1,700,473	242,294	7.783%	13.85 x	5.93 x	6.63 x
Encinitas Union School District	4,155,000	7	27,108,599	4,057,046	5,132,716	15.327%	7.52 x	1.98 x	3.21 x
La Mesa-Spring Valley School District	6,490,000	7	61,462,810	3,323,825	1,195,072	10.559%	10.47 x	1.51 x	1.70 x
National School District	2,060,000	7	33,511,631	3,185,586	2,149,109	6.147%	17.27 x	2.55 x	3.59 x
Subtotal	**13,050,000**				**Subtotal Averages:**	**9.954%**	**12.28 x**	**2.99 x**	**3.78 x**
Series B-2									
Carlsbad Unified School District	9,240,000	10	68,124,016	11,426,184	25,215,811	13.563%	8.37 x	2.24 x	4.97 x
Fallbrook Union High School District	1,095,000	10	22,310,810	2,977,147	1,086,987	4.908%	21.38 x	3.72 x	4.71 x
Grossmont Union High School District	15,000,000	10	146,624,799	6,334,410	48,803,616	10.230%	10.78 x	1.42 x	4.68 x
Ramona Unified School District	3,575,000	10	40,591,583	3,531,222	1,072,955	8.807%	12.35 x	1.99 x	2.29 x
San Dieguito Union High School District	13,250,000	10	88,930,628	14,664,299	3,757,781	14.899%	7.71 x	2.11 x	2.39 x
Subtotal	**42,160,000**				**Subtotal Averages:**	**10.482%**	**12.12 x**	**2.29 x**	**3.81 x**
Total Par Amount:	**$115,210,000**								

(1) Base Amounts exclude Note Amounts.
(2) Note Amounts have been added to each Base Amount to calculate Cash Coverage Factors.
(3) 2013-14 Projected Cash Receipt are receipts received through the Maturity date of the respective note.

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